

**TOWN OF MONTVILLE, CONNECTICUT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Town Council  
Town of Montville, 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 Montville, Connecticut (the "Town"), as of and for the year ended June 30, 2015, 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 from material misstatement.

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison schedule for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As disclosed in Note M to the financial statements, the Town implemented new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 17 and the schedules on the Town's pension plans and other postretirement benefit plan on pages 65 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 69 through 88, and the other supplementary information on pages 89 through 93 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
December 29, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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The management of the Town of Montville, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$128,328,187 (net position). Of this amount, \$20,082,281 represents unrestricted net position. Of this amount, \$8,666,101 represents unrestricted net position attributed to the operations of the Town's Sewer and Water Departments (business-type activities).
- The Town's total net position increased by \$4,334,513 during the current fiscal year, which consisted of a current year increase of \$3,898,484 relating to the Town's governmental activities and \$436,029 relating to the Town's business-type activities.
- The beginning net position of the Town was decreased by \$6,933,203, due to the current year implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 68 required the Town to recognize its proportionate share of the net pension liability relating to its long-term obligations for pension benefits in the government-wide financial statements (*See Note M*). This restatement consisted of a decrease of \$6,598,429 relating to the Town's governmental activities and \$334,774 relating to the Town's business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$11,335,026, a current year increase of \$820,457 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$8,756,538 or 14.2% of total General Fund expenditures and transfers out. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows/inflows of resources, and liabilities, with net position as the residual of these elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.



**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Government-wide Financial Statements *(Continued)***

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include activities such as: general government, public works, public safety, health and welfare, recreation and leisure and education. The business-type activities of the Town include sewer and water activities.

The government-wide financial statements can be found on pages 18 and 19 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Bonded Projects Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20 through 25 of this report.

**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Fund Financial Statements *(Continued)***

***Proprietary Funds***

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 64 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules, and other supplementary information which can be found on pages 65 through 93 of this report, respectively.

**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town (governmental and business type activities combined) totaled \$128,328,187 and \$123,993,674 as of June 30, 2015 and 2014 and are summarized as follows. The Town has adjusted balances reported as of June 30, 2014 for the implementation of GASB Statement No. 68.

**June 30, 2015**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 22,940,914	\$ 9,317,340	\$ 32,258,254
Capital assets	95,419,891	54,747,837	150,167,728
Total assets	<u>118,360,805</u>	<u>64,065,177</u>	<u>182,425,982</u>
Deferred outflows of resources	<u>1,321,782</u>	<u>43,739</u>	<u>1,365,521</u>
Other liabilities	3,303,954	273,427	3,577,381
Long-term liabilities	45,907,702	4,419,834	50,327,536
Total liabilities	<u>49,211,656</u>	<u>4,693,261</u>	<u>53,904,917</u>
Deferred inflows of resources	<u>1,481,756</u>	<u>76,643</u>	<u>1,558,399</u>
Net position			
Net investment in capital assets	57,407,519	50,672,911	108,080,430
Restricted	165,476	-	165,476
Unrestricted	11,416,180	8,666,101	20,082,281
Total net position	<u>\$ 68,989,175</u>	<u>\$ 59,339,012</u>	<u>\$ 128,328,187</u>

**June 30, 2014**

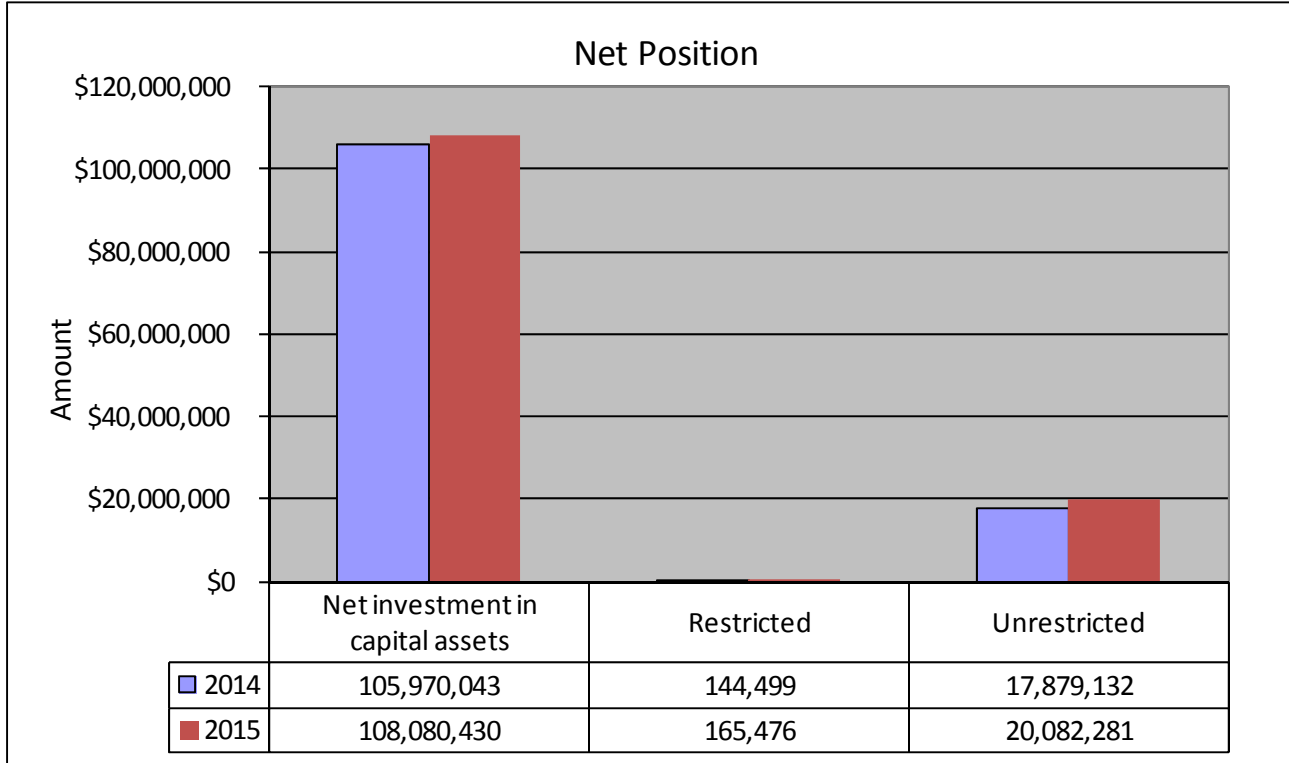
*(Restated)*

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 21,684,682	\$ 8,698,318	\$ 30,383,000
Capital assets	95,842,770	55,430,768	151,273,538
Total assets	<u>117,527,452</u>	<u>64,129,086</u>	<u>181,656,538</u>
Deferred outflows of resources	<u>1,443,168</u>	<u>47,939</u>	<u>1,491,107</u>
Other liabilities	2,999,750	419,331	3,419,081
Long-term liabilities	50,880,179	4,854,711	55,734,890
Total liabilities	<u>53,879,929</u>	<u>5,274,042</u>	<u>59,153,971</u>
Net position			
Net investment in capital assets	54,945,001	51,025,042	105,970,043
Restricted	144,499	-	144,499
Unrestricted	10,001,191	7,877,941	17,879,132
Total net position	<u>\$ 65,090,691</u>	<u>\$ 58,902,983</u>	<u>\$ 123,993,674</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Net Position (Continued)**



As of June 30, 2015, 84.2% of the Town's net position reflects its net investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Less than 1% of the Town's net position is subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted.

Overall, net position increased by \$4,334,513 in comparison with the prior year.

**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Changes in Net Position**

Changes in net position for the years ended June 30, 2015 and 2014 are as follows. The amounts presented for the fiscal year ended June 30, 2014 have not been restated for the implementation of GASB Statement No. 68 since the effects of these adjustments are not readily determinable.

**Town of Montville, Connecticut**  
**Changes in Net Position**  
**For The Year Ended June 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 3,209,450	\$ 7,094,211	\$ 10,303,661
Operating grants and contributions	20,922,012	75,332	20,997,344
Capital grants and contributions	1,224,132	-	1,224,132
General revenues:			
Property taxes, levied for general purposes	37,443,964	-	37,443,964
Grants and contributions not restricted to specific programs	4,011,840	-	4,011,840
Income from investments	44,740	14,626	59,366
Total revenues	<u>66,856,138</u>	<u>7,184,169</u>	<u>74,040,307</u>
<b>Expenses</b>			
General government	6,623,590	-	6,623,590
Public safety	4,439,283	-	4,439,283
Public works	4,676,291	-	4,676,291
Health and welfare	219,390	-	219,390
Recreation and leisure	354,955	-	354,955
Education	45,390,713	-	45,390,713
Interest on long-term debt	1,263,432	-	1,263,432
Sewer department	-	5,293,429	5,293,429
Water department	-	1,444,711	1,444,711
Total expenses	<u>62,967,654</u>	<u>6,738,140</u>	<u>69,705,794</u>
Change in net position before transfers	3,888,484	446,029	4,334,513
Transfers	10,000	(10,000)	-
Change in net position	<u>\$ 3,898,484</u>	<u>\$ 436,029</u>	<u>\$ 4,334,513</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

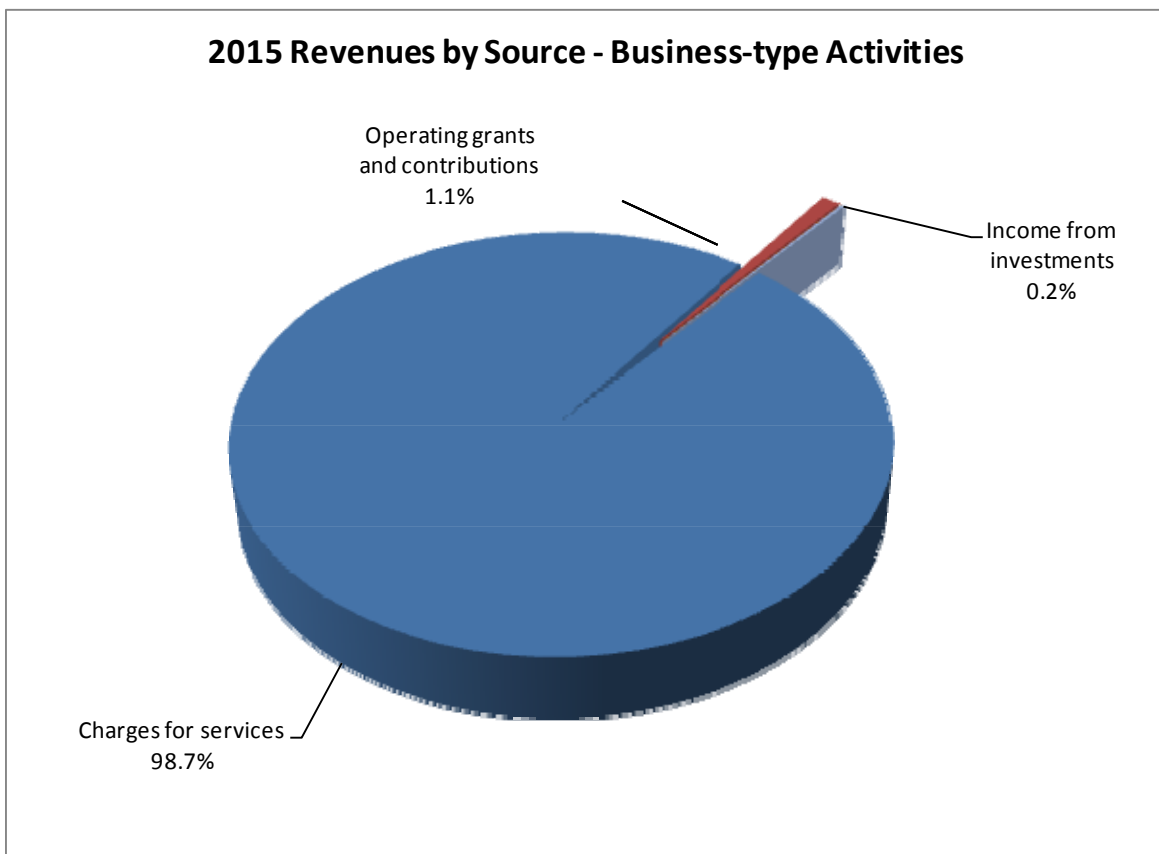
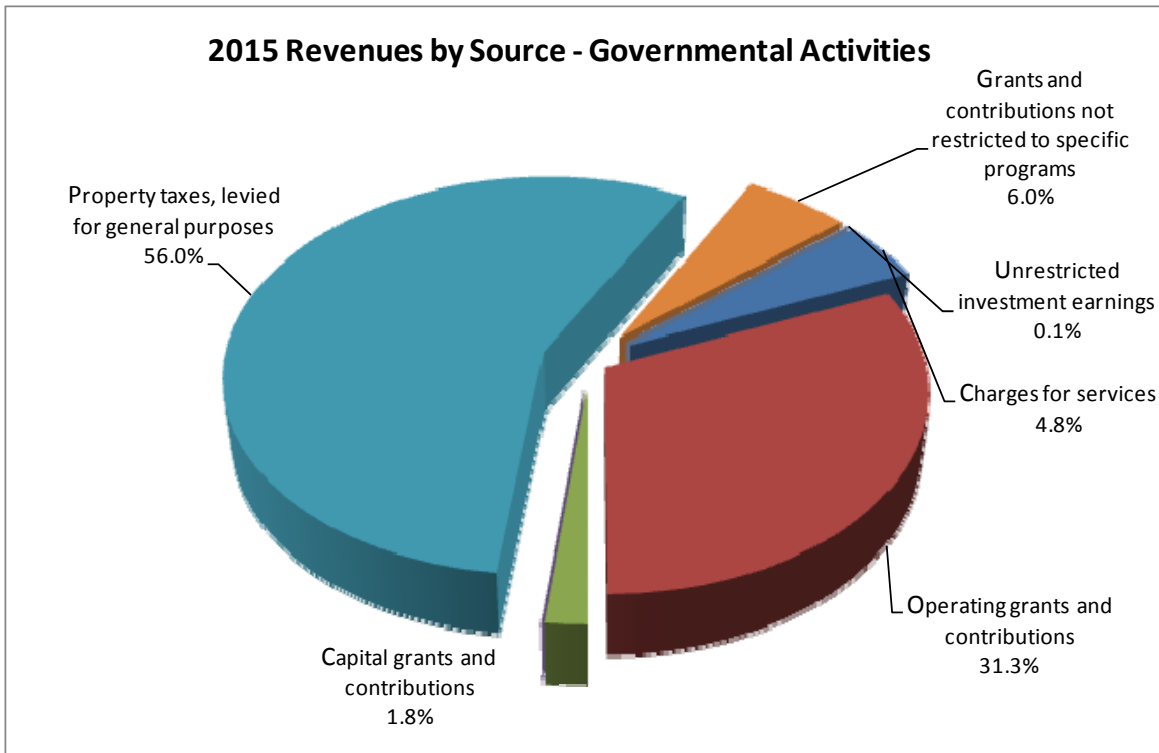
**Change in Net Position (Continued)**

**Town of Montville, Connecticut**  
**Changes in Net Position**  
**For The Year Ended June 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 3,248,789	\$ 6,994,126	\$ 10,242,915
Operating grants and contributions	20,991,727	278,554	21,270,281
Capital grants and contributions	607,972	-	607,972
General revenues:			
Property taxes, levied for general purposes	36,216,767	-	36,216,767
Grants and contributions not restricted to specific programs	3,594,710	-	3,594,710
Income from investments	31,875	9,323	41,198
Total revenues	<u>64,691,840</u>	<u>7,282,003</u>	<u>71,973,843</u>
<b>Expenses</b>			
General government	6,177,593	-	6,177,593
Public safety	4,210,518	-	4,210,518
Public works	3,317,800	-	3,317,800
Health and welfare	210,900	-	210,900
Recreation and leisure	331,132	-	331,132
Education	45,166,374	-	45,166,374
Interest on long-term debt	1,440,069	-	1,440,069
Sewer department	-	4,822,726	4,822,726
Water department	-	1,427,255	1,427,255
Total expenses	<u>60,854,386</u>	<u>6,249,981</u>	<u>67,104,367</u>
Change in net position before transfers	3,837,454	1,032,022	4,869,476
Transfers	45,519	(45,519)	-
Change in net position	<u>\$ 3,882,973</u>	<u>\$ 986,503</u>	<u>\$ 4,869,476</u>

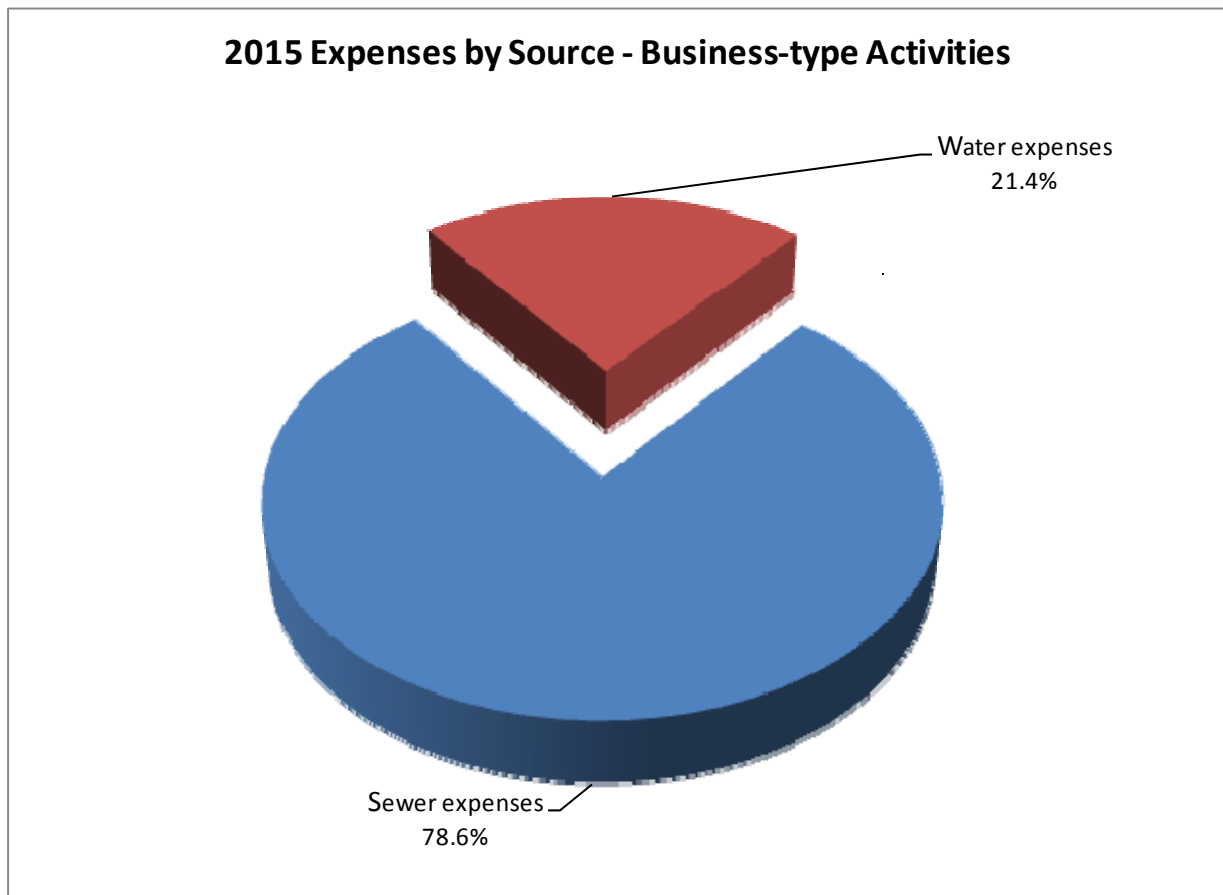
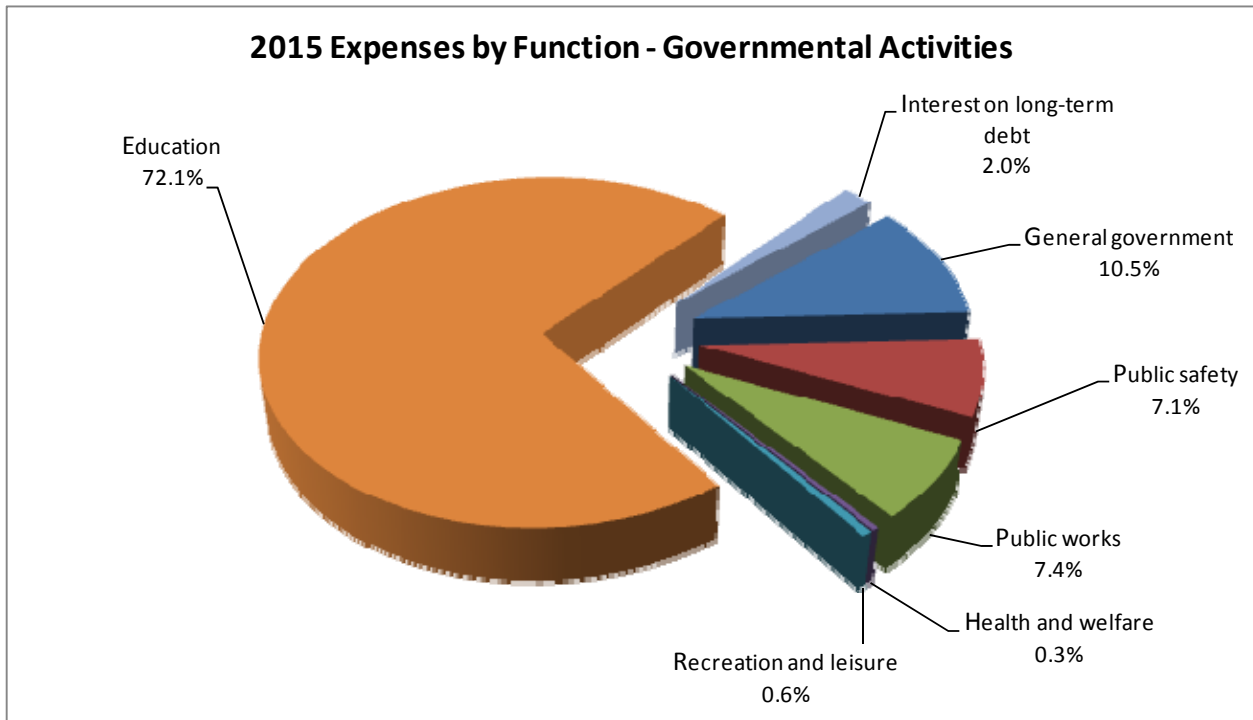
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)





**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Change in Net Position *(Continued)***

***Governmental Activities***

Governmental activities increased the Town's net position by a current year change of \$3,898,494. This increase is mainly attributable to the current year fund activity, less the capital asset and debt activity for the current year.

***Business-type Activities***

Business-type activities increased the Town's net position by a current year change of \$436,029. The current year increase was caused by the excess of revenues over operating expenditures.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$11,335,026.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,756,538. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 14.2% of total General Fund expenditures and transfers out. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures and transfers out.

The fund balance of the Town's General Fund increased by \$688,587 during the current fiscal year, which was primarily due an increase in property tax receipts in the current year.

**Bonded Projects Fund**

The fund balance of the Bonded Projects Fund did not change during the current fiscal year. This was primarily due to the lack of receipt of school construction grant funding from the Department of Education in the current year.

**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$299,180. Expenditures were \$870,300 less than budgeted, and total budgetary revenues were \$234,237 less than expected due primarily to an unfavorable variance in the Millstone reimbursement. During the year ended June 30, 2015, the Town Council approved additional appropriations of \$350,457 from fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2015 totaled \$150,167,728 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, distribution and collection systems, machinery and equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$1,105,810 or 0.7%. This decrease consisted primarily of capital asset additions of approximately \$2.7 million, offset by depreciation expense of approximately \$3.8 million. Major capital asset events during the current fiscal year included the following:

- Outlays for Raymond Hill and Lynch Hill drainage totaling \$118,427
- Outlays for Camp Oakdale Restrooms totaling \$119,865
- Outlays for Montville Road Bridge totaling \$354,144
- Outlays for Chesterfield Sidewalks totaling \$227,224
- Road improvements totaling \$242,846
- Outlays for WPCA Headworks construction project totaling \$625,109
- Outlays for WPCA Pump Station upgrades totaling \$166,958
- Outlays for Board of Education computers in the amount of \$183,772

**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Capital Assets (Continued)**

The following are tables of the investment in capital assets presented for both governmental and business-type activities:

**Town of Montville, Connecticut**  
**Capital Assets, Net**  
**June 30, 2015**

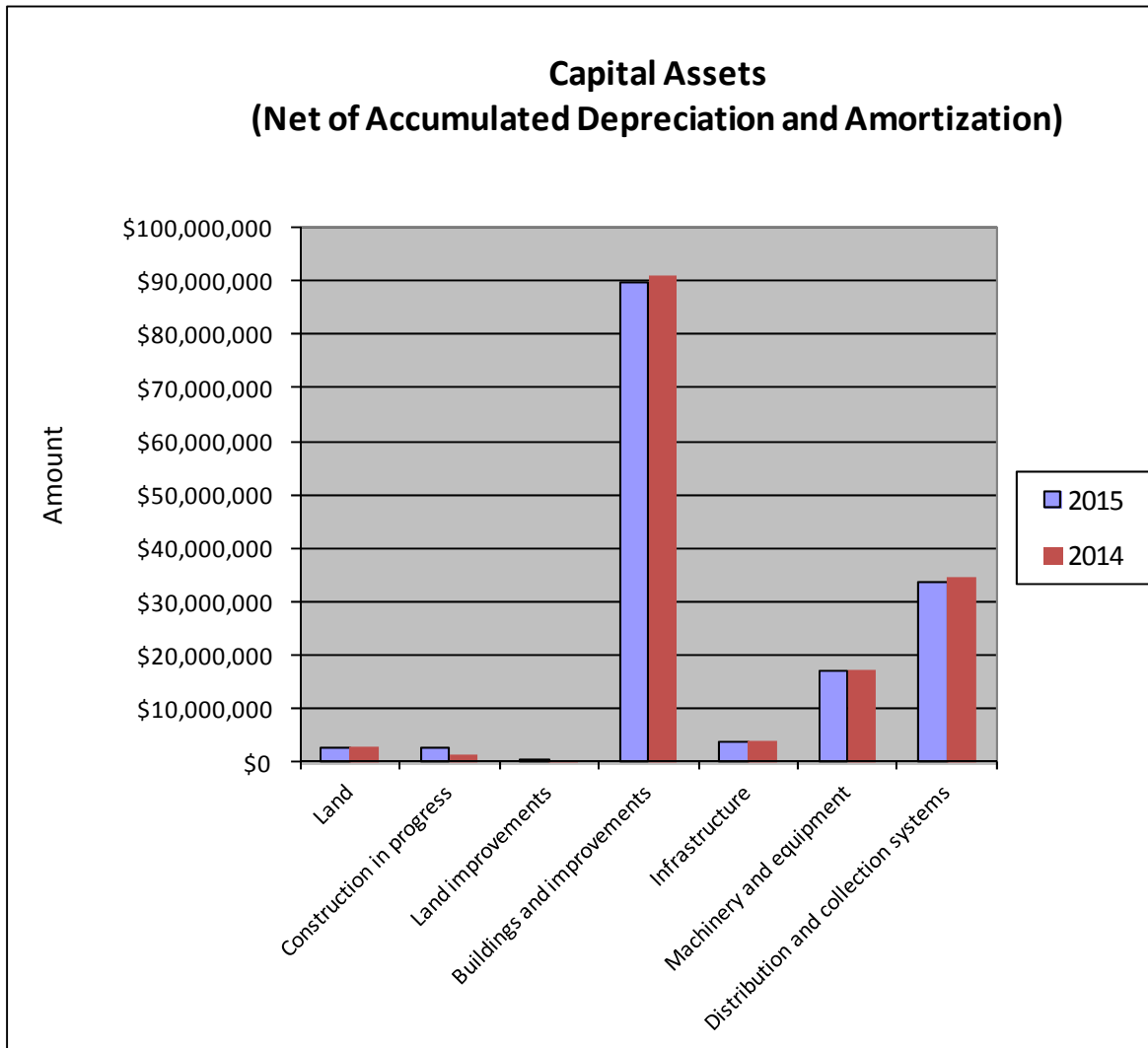
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,796,918	\$ 1,127,031	\$ 2,923,949
Construction in progress	1,277,695	1,500,360	2,778,055
Land improvements	236,762	-	236,762
Buildings and improvements	76,454,966	13,043,773	89,498,739
Infrastructure	4,032,305	-	4,032,305
Machinery and equipment	11,621,245	5,316,780	16,938,025
Distribution and collection systems	-	33,759,893	33,759,893
Totals	<u>\$ 95,419,891</u>	<u>\$54,747,837</u>	<u>\$150,167,728</u>

**Town of Montville, Connecticut**  
**Capital Assets, Net**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,784,108	\$ 1,127,031	\$ 2,911,139
Construction in progress	310,290	1,052,936	1,363,226
Land improvements	254,189	-	254,189
Buildings and improvements	77,716,161	13,137,741	90,853,902
Infrastructure	4,150,191	-	4,150,191
Machinery and equipment	11,627,831	5,583,124	17,210,955
Distribution and collection systems	-	34,529,936	34,529,936
Totals	<u>\$ 95,842,770</u>	<u>\$55,430,768</u>	<u>\$151,273,538</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Capital Assets (Continued)**



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

**Long-term Debt**

At the end of the current fiscal year, the Town had total debt outstanding of \$40,413,480. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$2,972,285 or 7.4% during the current fiscal year primarily due to scheduled principal payments.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$256,988,767, which is significantly in excess of the Town's outstanding general obligation debt.

**TOWN OF MONTVILLE, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Long-term Debt (Continued)**

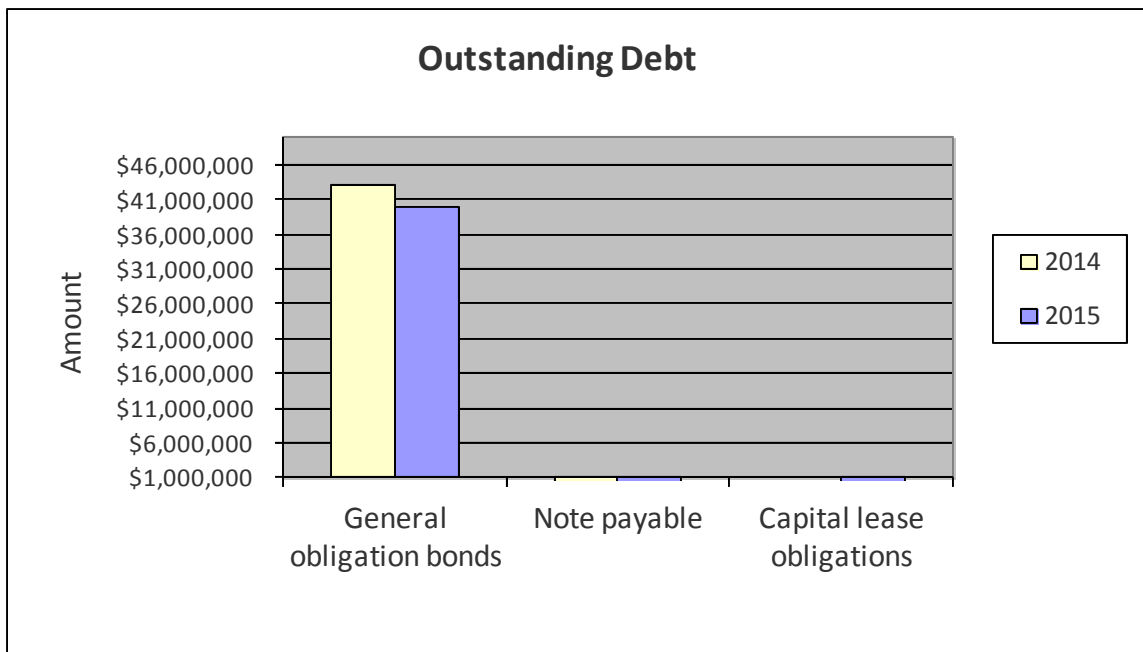
The following are tables of long-term bonded debt:

**Town of Montville, Connecticut**  
**Long-term Debt**  
**June 30, 2015**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 37,631,200	\$ 2,263,800	\$39,895,000
Note payable	-	245,631	245,631
Capital lease obligations	137,829	135,020	272,849
Totals	<u>\$ 37,769,029</u>	<u>\$ 2,644,451</u>	<u>\$40,413,480</u>

**Town of Montville, Connecticut**  
**Long-term Debt**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 40,650,200	\$ 2,534,800	\$43,185,000
Capital lease obligations	-	200,765	200,765
Totals	<u>\$ 40,650,200</u>	<u>\$ 2,735,565</u>	<u>\$43,385,765</u>



Additional information on the Town's long-term debt can be found in Note H of this report.

**TOWN OF MONTVILLE, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

A summary of key economic factors affecting the Town are as follows:

- The unemployment rate for the Town is currently 6.0% compared to the state's average unemployment rate of 5.4% and the national unemployment rate of 5.5%.
- Unassigned fund balance of the General Fund totaled \$8,753,054 at June 30, 2015.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2016, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - Intergovernmental grants were based on estimates from the State.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2016.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Town of Montville, 310 Norwich-New London Tpke., Uncasville, Connecticut 06382.

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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,571,362	\$ 6,460,081	\$ 25,031,443
Investments	-	605,778	605,778
Receivables:			
Property taxes, net	2,017,193	-	2,017,193
Interest on property taxes, net	717,236	-	717,236
Assessments and user charges receivable, net	65,689	1,392,584	1,458,273
Connection fees	-	218,261	218,261
Intergovernmental	1,310,400	-	1,310,400
Other	151,092	50,623	201,715
Internal balances	(15,315)	15,315	-
Inventories	123,439	-	123,439
Noncurrent assets:			
Receivables:			
Connection fees	-	436,539	436,539
Other	-	138,159	138,159
Capital assets:			
Non-depreciable	3,074,613	2,627,391	5,702,004
Depreciable, net	92,345,278	52,120,446	144,465,724
Total assets	<u>118,360,987</u>	<u>64,065,177</u>	<u>182,426,164</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	<u>1,321,782</u>	<u>43,739</u>	<u>1,365,521</u>
<b>LIABILITIES</b>			
Accounts payable	1,382,106	233,550	1,615,656
Accrued liabilities:			
Salaries and benefits payable	361,038	5,829	366,867
Accrued interest	506,169	34,048	540,217
Claims payable	511,004	-	511,004
Unearned revenue	543,819	-	543,819
Noncurrent liabilities:			
Due within one year	3,418,505	616,499	4,035,004
Due in more than one year	42,489,197	3,803,335	46,292,532
Total liabilities	<u>49,211,838</u>	<u>4,693,261</u>	<u>53,905,099</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension benefit	<u>1,481,756</u>	<u>76,643</u>	<u>1,558,399</u>
<b>NET POSITION</b>			
Net investment in capital assets	57,407,519	50,672,911	108,080,430
Restricted for:			
Grant program purposes	60,213	-	60,213
Other purposes	105,263	-	105,263
Unrestricted	11,416,180	8,666,101	20,082,281
Total net position	<u>\$ 68,989,175</u>	<u>\$ 59,339,012</u>	<u>\$ 128,328,187</u>

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



**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 6,623,590	\$ 814,611	\$ 835,762	\$ -	\$ (4,973,217)	\$ -	\$ (4,973,217)
Public safety	4,439,283	437,881	65,655	31,685	(3,904,062)	-	(3,904,062)
Public works	4,676,291	634,958	7,721	1,192,447	(2,841,165)	-	(2,841,165)
Health and welfare	219,390	-	-	-	(219,390)	-	(219,390)
Recreation and leisure	354,955	175,335	42,971	-	(136,649)	-	(136,649)
Education	45,390,713	1,146,665	19,969,903	-	(24,274,145)	-	(24,274,145)
Interest on long-term debt	1,263,432	-	-	-	(1,263,432)	-	(1,263,432)
Total governmental activities	<u>62,967,654</u>	<u>3,209,450</u>	<u>20,922,012</u>	<u>1,224,132</u>	<u>(37,612,060)</u>	<u>-</u>	<u>(37,612,060)</u>
Business-type activities:							
Sewer department	5,293,429	5,709,429	75,332	-	-	491,332	491,332
Water department	1,444,711	1,384,782	-	-	-	(59,929)	(59,929)
	<u>6,738,140</u>	<u>7,094,211</u>	<u>75,332</u>	<u>-</u>	<u>-</u>	<u>431,403</u>	<u>431,403</u>
Total primary government	<u>\$ 69,705,794</u>	<u>\$ 10,303,661</u>	<u>\$ 20,997,344</u>	<u>\$ 1,224,132</u>	<u>(37,612,060)</u>	<u>431,403</u>	<u>(37,180,657)</u>
General revenues:							
Property taxes, levied for general purposes					37,443,964	-	37,443,964
Grants and contributions not restricted to specific programs					4,011,840	-	4,011,840
Income from investments					44,740	14,626	59,366
Total general revenues					<u>41,500,544</u>	<u>14,626</u>	<u>41,515,170</u>
Transfers					10,000	(10,000)	-
Total general revenues and transfers					<u>41,510,544</u>	<u>4,626</u>	<u>41,515,170</u>
Change in net position					<u>3,898,484</u>	<u>436,029</u>	<u>4,334,513</u>
Net position - beginning, as originally reported					71,689,120	59,237,757	130,926,877
Adjustment (See Note M)					<u>(6,598,429)</u>	<u>(334,774)</u>	<u>(6,933,203)</u>
Net position - beginning, as restated					<u>65,090,691</u>	<u>58,902,983</u>	<u>123,993,674</u>
Net position - ending					<u>\$ 68,989,175</u>	<u>\$ 59,339,012</u>	<u>\$ 128,328,187</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General Fund</u>	<u>Bonded Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,778,497	\$ -	\$ 293,044	\$ 13,071,541
Receivables:				
Property taxes, net	2,017,193	-	-	2,017,193
Interest on property taxes, net	717,236	-	-	717,236
Assessments and interest	65,689	-	-	65,689
Intergovernmental	-	1,163,251	147,149	1,310,400
Other	146,107	-	4,985	151,092
Due from other funds	971,201	-	2,134,890	3,106,091
Inventories	90,287	-	33,152	123,439
Total assets	<u>\$ 16,786,210</u>	<u>\$ 1,163,251</u>	<u>\$ 2,613,220</u>	<u>\$ 20,562,681</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,117,784	\$ -	\$ 264,322	\$ 1,382,106
Accrued liabilities:				
Salaries and benefits payable	350,557	-	10,481	361,038
Due to other funds	2,150,205	966,201	5,000	3,121,406
Unearned revenue	250	-	543,569	543,819
Total liabilities	<u>3,618,796</u>	<u>966,201</u>	<u>823,372</u>	<u>5,408,369</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes and interest	2,590,346	-	-	2,590,346
Unavailable revenue - assessments and interest	65,689	-	-	65,689
Unavailable revenue - school construction grant	-	1,163,251	-	1,163,251
Total deferred inflows of resources	<u>2,656,035</u>	<u>1,163,251</u>	<u>-</u>	<u>3,819,286</u>
<b>FUND BALANCES</b>				
Nonspendable	90,287	-	33,152	123,439
Restricted	90,867	-	74,609	165,476
Committed	142,396	-	1,702,744	1,845,140
Assigned	1,431,291	-	-	1,431,291
Unassigned	8,756,538	(966,201)	(20,657)	7,769,680
Total fund balances	<u>10,511,379</u>	<u>(966,201)</u>	<u>1,789,848</u>	<u>11,335,026</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,786,210</u>	<u>\$ 1,163,251</u>	<u>\$ 2,613,220</u>	<u>\$ 20,562,681</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

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Total fund balance for governmental funds \$ 11,335,026

Total net position reported for governmental activities in the statement of net position is different because:

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

Land	\$	1,796,918	
Construction in progress		1,277,695	
Land improvements		975,678	
Buildings and improvements		93,637,071	
Machinery and equipment		12,207,073	
Infrastructure		19,146,535	
Less accumulated depreciation and amortization		<u>(33,621,079)</u>	
Total capital assets, net			95,419,891

Some of the Town's taxes, assessments, interest and long-term grant receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. 3,819,286

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Accrued interest payable		(506,169)	
Long-term debt:			
Bonds and note payable, net		(39,196,325)	
Deferred charge on refunding		1,321,782	
Other long-term liabilities:			
Capital lease obligations		(137,829)	
Landfill closure		(171,000)	
Early retirement incentive		(118,037)	
Compensated absences		(1,491,773)	
Net pension liability		(4,751,059)	
Net OPEB obligation		<u>(41,679)</u>	
Total long-term liabilities			(45,092,089)

Deferred inflows of resources resulting from changes in the components of the net pension liability are reported in the statements of net position. (1,481,756)

An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 4,988,817

Net position of governmental activities \$ 68,989,175

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Bonded Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 36,712,292	\$ -	\$ -	\$ 36,712,292
Assessments	26,697	-	-	26,697
Intergovernmental	17,818,892	-	2,961,155	20,780,047
State on-behalf payments	4,696,866	-	-	4,696,866
Charges for services	2,536,507	-	596,097	3,132,604
Donations	135,432	-	21,137	156,569
Investment income	41,998	-	10	42,008
Total revenues	<u>61,968,684</u>	<u>-</u>	<u>3,578,399</u>	<u>65,547,083</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,155,997	-	243,500	6,399,497
Public safety	3,819,285	-	2,204	3,821,489
Public works	3,705,462	-	528,533	4,233,995
Health and welfare	218,683	-	-	218,683
Recreation and leisure	263,079	-	49,789	312,868
Miscellaneous	65,125	-	-	65,125
State on-behalf payments	4,696,866	-	-	4,696,866
Education	36,811,020	-	2,226,911	39,037,931
Debt service:				
Principal payments	3,019,000	-	-	3,019,000
Interest and fiscal charges	1,322,488	-	-	1,322,488
Capital outlays	1,001,508	-	790,948	1,792,456
Total expenditures	<u>61,078,513</u>	<u>-</u>	<u>3,841,885</u>	<u>64,920,398</u>
Excess (deficiency) of revenues over expenditures	890,171	-	(263,486)	626,685
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease financing	183,772	-	-	183,772
Transfers in	10,000	-	395,356	405,356
Transfers out	(395,356)	-	-	(395,356)
Total other financing sources (uses)	<u>(201,584)</u>	<u>-</u>	<u>395,356</u>	<u>193,772</u>
Net change in fund balances	688,587	-	131,870	820,457
Fund balances - beginning	<u>9,822,792</u>	<u>(966,201)</u>	<u>1,657,978</u>	<u>10,514,569</u>
Fund balances - ending	<u>\$ 10,511,379</u>	<u>\$ (966,201)</u>	<u>\$ 1,789,848</u>	<u>\$ 11,335,026</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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Net change in fund balances - total governmental funds	\$	820,457
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Total change in net position reported for governmental activities in the statement of activities is different because:

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 amount by which depreciation and amortization expense exceeded capital outlays in the current period is as follows:

Expenditures for capital assets	\$ 1,762,393	
Depreciation and amortization expense	<u>(2,185,272)</u>	
Net adjustment		(422,879)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Debt issued or incurred:		
Capital lease obligations	(183,772)	
Principal repayments:		
Bonds and note payable	3,019,000	
Capital lease obligations	<u>45,943</u>	
Net adjustment		2,881,171

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Accrued interest	54,830	
Deferred charge on refunding	(121,386)	
Unamortized bond premium	125,612	
Landfill postclosure	19,000	
Early retirement incentive	(42,874)	
Compensated absences	153,997	
Net pension liability	1,847,370	
Net OPEB obligation	<u>(11,799)</u>	
		2,024,750

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

*(Continued)*

**TOWN OF MONTVILLE, CONNECTICUT**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2015

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Deferred inflows of resources resulting from changes in the components of the net pension liability are amortized as a component of pension expense in the statement of activities.	\$ (1,481,756)
Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in unavailable revenues.	696,078
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities.	<u>(619,337)</u>
Change in net position of governmental activities	<u>\$ 3,898,484</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 37,127,712	\$ 37,127,712	\$ 36,712,292	\$ (415,420)
Intergovernmental	17,679,119	17,679,119	17,743,417	64,298
Charges for services	2,509,290	2,509,290	2,587,480	78,190
Use of town money	30,000	30,000	68,695	38,695
Total revenues	<u>57,346,121</u>	<u>57,346,121</u>	<u>57,111,884</u>	<u>(234,237)</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,566,442	6,418,442	6,139,499	(278,943)
Public safety	3,821,607	3,838,607	3,824,396	(14,211)
Public works	3,626,226	3,796,226	3,723,614	(72,612)
Health and welfare	181,266	181,266	179,974	(1,292)
Social services	33,145	33,145	32,398	(747)
Recreation and leisure	263,565	268,565	264,267	(4,298)
Miscellaneous	65,300	65,300	65,125	(175)
Education	37,200,441	37,200,441	36,963,485	(236,956)
Capital outlay	1,182,642	1,376,142	1,116,575	(259,567)
Debt service:				
Principal payments	3,092,998	3,020,498	3,019,000	(1,498)
Interest and fiscal charges	1,322,489	1,322,489	1,322,488	(1)
Total expenditures	<u>57,356,121</u>	<u>57,521,121</u>	<u>56,650,821</u>	<u>(870,300)</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(175,000)	461,063	636,063
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	10,000	-
Continued appropriations - education	-	(185,457)	(185,457)	-
Cancellation of prior year encumbrances	-	-	13,574	13,574
Appropriation of fund balance	-	350,457	-	(350,457)
Total other financing sources (uses)	<u>10,000</u>	<u>175,000</u>	<u>(161,883)</u>	<u>(336,883)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,180</u>	<u>\$ 299,180</u>
Fund balance - beginning			<u>8,682,745</u>	
Fund balance - ending			<u>\$ 8,981,925</u>	

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<b>Business-type Activities</b>			<b>Governmental</b>
	<b>Sewer Department</b>	<b>Water Department</b>	<b>Total Business-type Activities</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,638,833	\$ 821,248	\$ 6,460,081	\$ 5,499,821
Investments	605,778	-	605,778	-
Receivables:				
User charges, net	1,225,917	166,667	1,392,584	-
Connection fees	-	218,261	218,261	-
Other	50,623	-	50,623	-
Due from other funds	15,315	-	15,315	-
Total current assets	<u>7,536,466</u>	<u>1,206,176</u>	<u>8,742,642</u>	<u>5,499,821</u>
Noncurrent assets:				
Receivables:				
Connection fees	-	436,539	436,539	-
Other	138,159	-	138,159	-
Capital assets:				
Non-depreciable	2,587,091	40,300	2,627,391	-
Depreciable, net	40,766,259	11,354,187	52,120,446	-
Total noncurrent assets	<u>43,491,509</u>	<u>11,831,026</u>	<u>55,322,535</u>	<u>-</u>
Total assets	<u>51,027,975</u>	<u>13,037,202</u>	<u>64,065,177</u>	<u>5,499,821</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	<u>43,739</u>	<u>-</u>	<u>43,739</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	116,252	117,298	233,550	-
Accrued liabilities:				
Salaries and benefits payable	5,829	-	5,829	-
Accrued interest	34,048	-	34,048	-
Claims payable	-	-	-	511,004
Total current liabilities	<u>156,129</u>	<u>117,298</u>	<u>273,427</u>	<u>511,004</u>
Non-current liabilities:				
Due within one year	398,238	218,261	616,499	-
Due in more than one year	2,640,611	1,162,724	3,803,335	-
Total non-current liabilities	<u>3,038,849</u>	<u>1,380,985</u>	<u>4,419,834</u>	<u>-</u>
Total liabilities	<u>3,194,978</u>	<u>1,498,283</u>	<u>4,693,261</u>	<u>511,004</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred inflow on pension benefits	<u>76,643</u>	<u>-</u>	<u>76,643</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	40,659,409	10,013,502	50,672,911	-
Unrestricted	7,140,684	1,525,417	8,666,101	4,988,817
Total net position	<u>\$ 47,800,093</u>	<u>\$ 11,538,919</u>	<u>\$ 59,339,012</u>	<u>\$ 4,988,817</u>

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



**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services and premiums	\$ 5,709,429	\$ 1,384,782	\$ 7,094,211	\$ 6,382,406
Intergovernmental	75,332	-	75,332	-
Total operating revenues	<u>5,784,761</u>	<u>1,384,782</u>	<u>7,169,543</u>	<u>6,382,406</u>
<b>OPERATING EXPENSES</b>				
Personnel services	662,298	50,944	713,242	-
Supplies and administration	1,183,011	917,523	2,100,534	-
Maintenance	627,071	92,393	719,464	-
Energy and transportation	858,776	59,760	918,536	-
Insurance and taxes	310,616	28,906	339,522	-
Claims incurred	-	-	-	6,147,029
Administration	-	-	-	857,446
Depreciation	1,327,632	295,185	1,622,817	-
Total operating expenses	<u>4,969,404</u>	<u>1,444,711</u>	<u>6,414,115</u>	<u>7,004,475</u>
Operating income (loss)	815,357	(59,929)	755,428	(622,069)
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Capitalization of prior year Clean Water Fund proceeds	(245,631)	-	(245,631)	-
Interest income	14,047	579	14,626	2,732
Interest expense	(78,394)	-	(78,394)	-
Total non-operating income (expense)	<u>(309,978)</u>	<u>579</u>	<u>(309,399)</u>	<u>2,732</u>
Change in net position before transfers	505,379	(59,350)	446,029	(619,337)
Transfer out	(10,000)	-	(10,000)	-
Change in net position	<u>495,379</u>	<u>(59,350)</u>	<u>436,029</u>	<u>(619,337)</u>
Net position - beginning, as originally reported	47,639,488	11,598,269	59,237,757	5,725,086
Adjustments (See Note M)	(334,774)	-	(334,774)	-
Net position - beginning, as restated	<u>47,304,714</u>	<u>11,598,269</u>	<u>58,902,983</u>	<u>5,608,154</u>
Net position - ending	<u>\$ 47,800,093</u>	<u>\$ 11,538,919</u>	<u>\$ 59,339,012</u>	<u>\$ 4,988,817</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received for the following:				
Customers and users	\$ 5,740,573	\$ 1,365,718	\$ 7,106,291	\$ 6,382,406
Intergovernmental	75,332	-	75,332	-
Cash paid for the following:				
Personnel services	(682,301)	(48,583)	(730,884)	-
Supplies and administration	(1,322,735)	(888,766)	(2,211,501)	(857,446)
Maintenance	(627,071)	(92,393)	(719,464)	-
Energy and transportation	(858,776)	(59,760)	(918,536)	-
Insurance and taxes	(329,378)	(28,906)	(358,284)	-
Benefits and claims	-	-	-	(6,100,441)
Net cash provided by (used in) operating activities	<u>1,995,644</u>	<u>247,310</u>	<u>2,242,954</u>	<u>(575,481)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash transfers related to interfund activity	(10,000)	-	(10,000)	5,793,229
Net cash provided by (used in) noncapital financing activities	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>5,793,229</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(955,200)	-	(955,200)	-
Payments collected on long-term receivables	59,692	218,261	277,953	-
Interest paid on capital debt	(105,512)	-	(105,512)	-
Principal paid on capital debt	(336,745)	(234,563)	(571,308)	-
Net cash used in capital and related financial activities	<u>(1,337,765)</u>	<u>(16,302)</u>	<u>(1,354,067)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	11,028	579	11,607	2,732
Net cash provided by investing activities	<u>11,028</u>	<u>579</u>	<u>11,607</u>	<u>2,732</u>
Net increase in cash and cash equivalents	658,907	231,587	890,494	5,220,480
Cash and cash equivalents, beginning of year	4,979,926	589,661	5,569,587	279,341
Cash and cash equivalents, end of year	<u>\$ 5,638,833</u>	<u>\$ 821,248</u>	<u>\$ 6,460,081</u>	<u>\$ 5,499,821</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO</b>				
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 815,357	\$ (59,929)	\$ 755,428	\$ (622,069)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,327,632	295,185	1,622,817	-
Changes in assets and liabilities:				
Decrease (increase) in user charges receivable	31,144	(19,064)	12,080	-
Increase (decrease) in accounts payable	(139,724)	28,757	(110,967)	-
Increase (decrease) in accrued liabilities	(12,942)	-	(12,942)	-
Increase in compensated absences	(4,472)	-	(4,472)	-
Decrease (increase) in due from other funds	(2,589)	2,361	(228)	-
Increase in net pension liability and deferred outflows	(18,762)	-	(18,762)	46,588
Net cash provided by (used in) operating activities	<u>\$ 1,995,644</u>	<u>\$ 247,310</u>	<u>\$ 2,242,954</u>	<u>\$ (575,481)</u>

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<b>Private Purpose Trust Fund - School Scholarships</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,648	\$ 444,927
Investments, at fair value:		
Certificates of deposit	125,348	32,657
Mutual funds	251,515	-
Total assets	446,511	\$ 477,584
<b>LIABILITIES</b>		
Due to student groups	-	298,468
Due to others	-	179,116
Total liabilities	-	\$ 477,584
<b>NET POSITION</b>		
Held in trust for scholarship benefits	\$ 446,511	

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**STATEMENT OF CHANGES**  
**IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Private Purpose Trust Fund - School Scholarships</b>
<b>ADDITIONS</b>	
Contributions:	
Private donations	\$ 16,707
Total contributions	16,707
Investment earnings:	
Interest	8,097
Net increase in the fair value of investments	2,313
Total investment earnings	10,410
Total additions	27,117
<b>DEDUCTIONS</b>	
Awards expense	8,322
Total deductions	8,322
Change in net position	18,795
Net position - beginning	427,716
Net position - ending	\$ 446,511

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

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Montville, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**Financial Reporting Entity**

The Town of Montville, Connecticut was settled in 1786 and covers 43.9 square miles located in the Southeastern part of Connecticut. The Town operates under a Town Council/Mayor form of government and provides the following services as authorized by its charter: public safety, public works, health, social services, recreation, planning and zoning, education and other miscellaneous programs.

The legislative power of the Town is vested with the Town Council and Town Meeting. The Town Council may enact, amend or repeal ordinances and resolutions. The Town Council is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are in substance, part of the government's operations and therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Government-wide and Fund Financial Statements *(Continued)***

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

**General Fund** - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**Bonded Projects Fund** - This fund is used to account for the revenues and expenditures related to major capital asset construction and/or purchases.

The Town reports the following major proprietary funds:

**Sewer Department** - This fund is used to account for activities of the Town's Sewer department.

**Water Department** - This fund is used to account for activities of the Town's Water department.

In addition, the Town reports the following fund types:

**Internal Service Fund (proprietary)** - This fund accounts for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities.

**Private Purpose Trust Funds** - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. There is no requirement that any portion of the resources be preserved as capital. The Town utilizes a private purpose trust fund to account for activities of the School Scholarships Private Purpose Trust Fund.

**Agency Funds** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activities funds and the performance bonds fund. The student activities funds account for monies generated by student activities in the Town's school system. The performance bonds fund accounts for monies received to ensure that new home construction is performed per specifications.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds consist of charges to customers for services relating to sewer and water usage. Operating expenses of the Town's enterprise funds include the cost of operations and maintenance, administrative expenses, and depreciation of capital assets. The principal operating revenues of the Town's internal service fund consist of charges for premiums. Operating expenses of the Town's internal service fund consist of claims incurred and administrative expenses. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity**

**Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments for the Town are reported at fair value (generally based on quoted market prices) except as described below.

The Town invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office. STIF operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, STIF qualifies as a 2a7-like pool and is reported at the net position value per share (which approximates fair value) even though it is calculated using the amortized cost method. STIF is subject to regulatory oversight even though it is not registered by the SEC.

**Inventories**

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

**Property Taxes, Sewer Assessment and Usage Charges**

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$201,000 and 122,000, respectively, as of June 30, 2015.

Upon completion of projects, water and sewer assessments are levied and assessed to the users each February. Usage charges are billed quarterly or monthly depending on the property type, beginning in January. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full. Based on historical collection experience and other factors, the WPCA has established an allowance for uncollectible sewer and water usage of \$284,000 and \$6,400, respectively, as of June 30, 2015.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)***

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets, 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 Town as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred net of interest earned on project specific debt during the construction phase of capital assets of business-type activities and enterprise funds are included as part of the capitalized cost of the assets constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	35 - 50
Building improvements	20
Distribution and collection systems	50 - 65
Infrastructure	30 - 50
Land improvements	30 - 50
Machinery and equipment	5 - 20

Capital assets acquired under capital lease are amortized over the life of the lease term or estimated useful life of the asset, as applicable.

**Unearned Revenue**

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

**Deferred Inflows/Outflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported 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.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)***

**Deferred Outflows/Inflows of Resources *(Continued)***

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of deferred inflows. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and interest, and sewer assessments and usage charges. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also recognizes deferred inflows of resources in the government-wide statement of net position for deferred amounts on pension benefits resulting from changes in the components of the Town's net pension liability. This amount is deferred and amortized as a component of pension expense on a systematic and rational basis.

**Compensated Absences**

Under the terms of various union contracts, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Town employees may not carry over any accumulated vacation time and may carry over a limited number of sick days to subsequent years. In the event of retirement, Town employees are reimbursed for accumulated vacation and sick days based on union contract. Board of Education employees may carry over a limited number of unused vacation days to the next fiscal year. When a Board of Education employee retires, limited accumulated unused sick leave is not paid but added to the credited service used to calculate pension benefits.

All compensated absences are accrued when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they have matured (i.e. due to resignation or retirement).

**Long-term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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 the applicable bond premium or discount.

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

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

***Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity (Continued)***

**Net Position and Fund Balance**

The government-wide statement of net position presents the Town's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

***Net investment in capital assets*** – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

***Restricted net position*** – This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted net position*** – This component of net position is the net amount of the assets, liabilities, and deferred inflows/outflows of resources which do not meet the definition of the two preceding categories.

The Town's governmental funds report the following fund balance categories:

***Nonspendable*** – Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

***Restricted*** – Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

***Committed*** – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

***Assigned*** – Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by the Town Council.

***Unassigned*** – Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

***Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)***

**Net Position and Fund Balance *(Continued)***

***Fund Balance Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Town's policy to use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned. It is the Town's policy to maintain an unassigned fund balance in the General Fund between 8% and 12% of the Town's General Fund budget. Two-thirds vote of the entire Town Council is required to decrease total fund balance below 8%. Unassigned fund balance in the General Fund as of June 30, 2015 represents 14.2% of the Town's final General Fund budget.

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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 non-current 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".

**Interfund Services Provided and Used**

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

**Interfund Transfers**

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES**

**Budgetary Information**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements, in accordance with provision of its Town Charter.

- By 100 days before the close of the fiscal year, the head of each department, office and agency submits to the Finance Director detailed estimates of expenditures and any revenues other than tax revenues expected to be collected. Expenditures are controlled at the department level.
- The Mayor submits a Capital Improvement Program for the ensuing fiscal year and the immediate four subsequent years to the Town Council for changes from the prior year's program by 75 days before the close of the fiscal year. It is then submitted to the Planning and Zoning Commission for approval. The Town Council then adopts the Program. The Program details the project, cost estimates, methods of financing, time schedules, and the estimated annual cost of the facility operation.
- By 75 days before the close of the fiscal year, the Mayor presents a budget message, estimates of revenues and expenditures and justifications to the Town Council.
- By 60 days before the close of the fiscal year, the Town Council publishes the particulars of the budgets and holds one or more public hearings.
- The Town Council may add, increase, delete or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor, who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be overridden by a two-thirds vote of the entire Town Council.
- The Town Council adopts the final budget before 30 days of the close of the fiscal year.
- If the Town Council fails to adopt a budget within the prescribed timeframe, the previous year's budget prevails on a month-to-month basis until the new budget is adopted.
- With written approval of a department head and the Director of Finance, transfers between line items within a department can be made. The Town Council may transfer unexpended balances between departments.
- The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- Additional appropriations may be made during the year by resolution of the Town Council. Additional appropriations from fund balance for the year ended June 30, 2015 amounted to \$350,457.

**TOWN OF MONTVILLE, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 JUNE 30, 2015

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES (Continued)**

**Budgetary Information (Continued)**

- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year. Generally, all unexpended appropriations lapse at year-end, except those for Capital Projects Funds and certain Special Revenue Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2015:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources - Transfers, Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 57,111,884	\$ 56,650,821	\$ (161,883)	\$ 299,180
"On-behalf" payments - State Teachers Retirement Fund (see Note I)	4,696,866	4,696,866	-	-
Encumbrances	-	(304,818)	(13,574)	291,244
Certain revenues and expenses presented net for budgetary purposes	159,934	69,067	-	90,867
BOE Carryover	-	178,161	185,457	7,296
Certain transfers recorded as expenditures for budgetary purposes	-	(395,356)	(395,356)	-
Capital lease proceeds not recorded for budgetary purposes	-	183,772	183,772	-
GAAP basis	<u>\$ 61,968,684</u>	<u>\$ 61,078,513</u>	<u>\$ (201,584)</u>	<u>\$ 688,587</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES *(Continued)***

**Deficit Fund Balances**

The following funds have deficit fund balances as of June 30, 2015, which do not constitute a violation of statutory provisions:

Fund	Amount
Bonded Projects Fund	\$ (996,201)
Bridges Fund	(20,657)

The deficits are expected to be eliminated through future revenue sources and bonding.

**NOTE C - CASH DEPOSITS AND INVESTMENTS**

A reconciliation of the Town's cash and cash equivalents as of June 30, 2015 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 25,031,443
Statement of fiduciary net position:	
Cash and cash equivalents	514,575
	25,546,018
Add: certificates of deposit classified as investments	763,783
Less: cash equivalents considered investments for disclosure purposes	(2,704,566)
	\$ 23,605,235

**Cash Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town 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. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$23,282,874 of the Town's bank balance of \$24,786,032 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 20,954,587
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	2,328,287
	\$ 23,282,874

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE C - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments**

A reconciliation of the Town's investments as of June 30, 2015 is as follows:

Government-wide statement of net position:	
Investments	\$ 605,778
Statement of fiduciary net position:	
Investments	409,520
	1,015,298
Add: cash equivalents considered investments for disclosure purposes	2,704,566
Less: certificates of deposit classified as investments	(763,783)
	\$ 2,956,081

As of June 30, 2015, the Town's investments consist of the following:

Investment type	Fair Value	Investment Maturities (In Years) Less Than 1
<b>Debt Securities:</b>		
Pooled fixed income accounts	\$ 2,695,022	\$ 2,695,022
Money market mutual funds	9,544	9,544
	2,704,566	\$ 2,704,566
<b>Other investments:</b>		
Mutual funds	251,515	
	\$ 2,956,081	

Because the money market and fixed income mutual funds have weighted average maturities of less than 90 days, they are presented as investments with maturities of less than one year.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE C - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

**Interest Rate Risk**

The Town does not have a formal investment policy that limits Town investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service.

The Town's investments in pooled fixed income accounts, whose ratings are required to be disclosed, were rated AAA by Standard & Poor's.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk at June 30, 2015, as they are held by a trustee in the Town's name.

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. More than 5 percent of the Town's investments are in pooled fixed income accounts. Investments in this type of account are considered diversified by nature.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2015

**NOTE D - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2015 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,784,108	\$ 12,810	\$ -	\$ 1,796,918
Construction in progress	310,290	967,405	-	1,277,695
Total capital assets, not being depreciated	<u>2,094,398</u>	<u>980,215</u>	<u>-</u>	<u>3,074,613</u>
Capital assets, being depreciated:				
Land improvements	975,678	-	-	975,678
Buildings and improvements	93,541,418	95,653	-	93,637,071
Machinery and equipment	11,763,394	443,679	-	12,207,073
Infrastructure	18,903,689	242,846	-	19,146,535
Total capital assets, being depreciated	<u>125,184,179</u>	<u>782,178</u>	<u>-</u>	<u>125,966,357</u>
Less accumulated depreciation and amortization for:				
Land improvements	721,489	17,427	-	738,916
Buildings and improvements	15,825,257	1,356,848	-	17,182,105
Machinery and equipment	7,613,203	561,565	-	8,174,768
Infrastructure	7,275,858	249,432	-	7,525,290
Total accumulated depreciation and amortization	<u>31,435,807</u>	<u>2,185,272</u>	<u>-</u>	<u>33,621,079</u>
Total capital assets, being depreciated, net	<u>93,748,372</u>	<u>(1,403,094)</u>	<u>-</u>	<u>92,345,278</u>
Governmental activities capital assets, net	<u>\$ 95,842,770</u>	<u>\$ (422,879)</u>	<u>\$ -</u>	<u>\$95,419,891</u>

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 190,652
Public safety	230,369
Public works	380,317
Recreation and leisure	39,199
Education	<u>1,344,735</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 2,185,272</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2015

**NOTE D - CAPITAL ASSETS (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2015 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,127,031	\$ -	\$ -	\$ 1,127,031
Construction in progress	1,052,936	915,036	(467,612)	1,500,360
Total capital assets, not being depreciated	<u>2,179,967</u>	<u>915,036</u>	<u>(467,612)</u>	<u>2,627,391</u>
Capital assets, being depreciated:				
Buildings and improvements	19,561,760	300,654	-	19,862,414
Distribution and collection systems	51,487,323	-	-	51,487,323
Machinery and equipment	12,885,297	191,808	-	13,077,105
Total capital assets, being depreciated	<u>83,934,380</u>	<u>492,462</u>	<u>-</u>	<u>84,426,842</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	6,424,019	394,622	-	6,818,641
Distribution and collection systems	16,957,387	770,043	-	17,727,430
Machinery and equipment	7,302,173	458,152	-	7,760,325
Total accumulated depreciation and amortization	<u>30,683,579</u>	<u>1,622,817</u>	<u>-</u>	<u>32,306,396</u>
Total capital assets, being depreciated, net	<u>53,250,801</u>	<u>(1,130,355)</u>	<u>-</u>	<u>52,120,446</u>
Business-type activities capital assets, net	<u>\$ 55,430,768</u>	<u>\$ (215,319)</u>	<u>\$ (467,612)</u>	<u>\$54,747,837</u>

Depreciation and amortization expense was charged to programs of the Town as follows:

Business-type Activities:	
Sewer department	\$ 1,327,632
Water department	295,185
Total depreciation and amortization expense - business-type activities	<u>\$ 1,622,817</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE E - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2015 are as follows:

Receivable Fund	Payable Fund	Amount
<b>Governmental Funds:</b>		
General Fund	Bonded Projects Fund	\$ 966,201
	Nonmajor governmental funds	5,000
		971,201
Nonmajor governmental funds	General Fund	2,134,890
		\$ 3,106,091
<b>Proprietary Funds:</b>		
Sewer Department	General Fund	\$ 15,315

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE F - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Transfers In	Transfers Out	Amount
<b>Governmental Funds</b>		
General Fund	Sewer Department	\$ 10,000
Nonmajor governmental funds	General Fund	395,356
Total transfers		\$ 405,356

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

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE G - FUND BALANCE**

The various components of fund balance at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Bonded Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ 90,287	\$ -	\$ 33,152	\$ 123,439
Restricted for:				
Grant program purposes	-	-	60,213	60,213
External - donations	12,008	-	14,396	26,404
Education	78,859	-	-	78,859
Committed to:				
Revaluation	100,000	-	-	100,000
Education carryover	7,296	-	-	7,296
Public Safety - severance	35,100	-	-	35,100
General government	-	-	251,984	251,984
Recreation	-	-	45,145	45,145
Cafeteria operations	-	-	271,197	271,197
Capital projects	-	-	1,137,902	1,137,902
Assigned to:				
General government	57,454	-	-	57,454
Public safety	6,811	-	-	6,811
Public works	29,944	-	-	29,944
Recreation and leisure	1,188	-	-	1,188
Education	1,323,413	-	-	1,323,413
Capital outlays	12,481	-	-	12,481
Unassigned:	8,753,054	(966,201)	(20,657)	7,766,196
	<u>\$ 10,507,895</u>	<u>\$ (966,201)</u>	<u>\$ 1,793,332</u>	<u>\$ 11,335,026</u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE H - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

<b>Governmental Activities</b>	<b>Beginning Balance</b> <i>(as restated per Note M)</i>	<b>Increases</b>	<b>Decreases</b>	<b>Ending</b>	<b>Due Within One Year</b>
<b>Bonds payable:</b>					
General obligation bonds	\$ 40,650,200	\$ -	\$ (3,019,000)	\$ 37,631,200	\$ 3,022,700
Unamortized premium	1,690,737	-	(125,612)	1,565,125	-
Total bonds payable	<u>42,340,937</u>	-	<u>(3,144,612)</u>	<u>39,196,325</u>	<u>3,022,700</u>
<b>Other liabilities:</b>					
Capital lease obligation	-	183,772	(45,943)	137,829	45,943
Landfill closure	190,000	-	(19,000)	171,000	19,000
Early retirement incentive	75,163	152,492	(109,618)	118,037	32,462
Compensated absences	1,645,770	35,119	(189,116)	1,491,773	298,400
Net pension liability	6,598,429	-	(1,847,370)	4,751,059	-
Net OPEB obligation	29,880	11,799	-	41,679	-
	<u>\$ 50,880,179</u>	<u>\$ 383,182</u>	<u>\$ (5,355,659)</u>	<u>\$ 45,907,702</u>	<u>\$ 3,418,505</u>
<b>Business-type Activities</b>					
<b>Bonds payable:</b>					
General obligation bonds	\$ 2,534,800	\$ -	\$ (271,000)	\$ 2,263,800	\$ 297,300
Unamortized premium	102,552	-	(9,323)	93,229	-
Total bonds payable	<u>2,637,352</u>	-	<u>(280,323)</u>	<u>2,357,029</u>	<u>297,300</u>
<b>Other liabilities:</b>					
Note payable	-	245,631	-	245,631	21,623
Capital lease obligation	200,765	-	(65,745)	135,020	66,915
Contract payable	1,615,548	-	(234,563)	1,380,985	218,261
Compensated absences	66,272	-	(4,472)	61,800	12,400
Net pension liability	334,774	-	(95,405)	239,369	-
	<u>\$ 4,854,711</u>	<u>\$ 245,631</u>	<u>\$ (680,508)</u>	<u>\$ 4,419,834</u>	<u>\$ 616,499</u>

Long-term liabilities above typically have been liquidated by the General Fund for governmental activities and the Water and Sewer Departments for business-type activities.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2015

**NOTE H - LONG-TERM LIABILITIES (Continued)**

**General Obligation Bonds**

A summary of general obligation bonds and note payable outstanding at June 30, 2015 is as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Bonds	2006	\$ 10,000,000	3.625% - 5.0%	2027	\$ 765,000
General Obligation Bonds	2007	6,300,000	3.7% - 4.5%	2028	3,150,000
General Obligation Bonds	2009	12,000,000	2.0% - 4.0%	2024	5,000,000
General Obligation Refunding Bonds	2010	2,212,600	2.0% - 4.0%	2022	1,616,200
General Obligation Refunding Bonds	2010	8,035,000	3.0% - 5.0%	2025	7,890,000
General Obligation Bonds	2012	10,625,000	2.125% - 5.0%	2033	10,185,000
General Obligation Refunding Bonds	2013	9,195,000	1.0% - 4.0%	2027	9,025,000
					\$ 37,631,200
<b>Business-type Activities</b>					
Bonds Payable					
General Obligation Bonds	1999	\$ 1,350,000	6.60%	2019	\$ 280,000
General Obligation Refunding Bonds	2010	1,042,400	2.0% - 4.0%	2019	543,800
General Obligation Bonds	2012	1,500,000	2.125% - 5.0%	2033	1,440,000
					\$ 2,263,800

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2015:

<u>Year ending</u> <u>June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,022,700	\$ 1,219,385	\$ 4,242,085
2017	3,352,700	1,120,536	4,473,236
2018	3,344,500	1,010,143	4,354,643
2019	3,336,300	875,846	4,212,146
2020	3,660,000	759,076	4,419,076
2021-2025	15,350,000	2,004,234	17,354,234
2026-2030	4,275,000	443,513	4,718,513
2031-2033	1,290,000	58,050	1,348,050
	\$ 37,631,200	\$ 7,490,783	\$ 45,121,983

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE H - LONG-TERM LIABILITIES *(Continued)***

**General Obligation Bonds *(Continued)***

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2016	\$ 297,300	\$ 81,041	\$ 378,341
2017	297,300	69,088	366,388
2018	295,500	55,945	351,445
2019	293,700	42,932	336,632
2020	90,000	32,538	122,538
2021-2025	430,000	112,144	542,144
2026-2030	350,000	57,575	407,575
2031-2033	210,000	9,450	219,450
	\$ 2,263,800	\$ 460,713	\$ 2,724,513

**Refundings**

At June 30, 2015, there is approximately \$6.8 million of bonds related to the 2013 general obligation bond issuance that are considered defeased but still outstanding. There is approximately \$4.2 million of bonds related to the 2010 general obligation bond issuance that are considered defeased but still outstanding.

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$256,988,767 as of June 30, 2015. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2015.

**Authorized, Unissued Bonds**

As of June 30, 2015, the Town had authorized but unissued bonds totaling \$4,600,500.

**Note Payable**

The State of Connecticut Department of Environmental Protection has provided Clean Water financing in the form of permanently financed serial notes to the Town dated January 30, 2015, in the initial amount of \$245,631. The note is payable in 240 monthly installments of \$1,231 and matures in July 2034. The note bears an interest rate of 2.0%.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE H - LONG-TERM LIABILITIES *(Continued)***

**Note Payable *(Continued)***

Annual debt service requirements to maturity on these obligations are as follows as of June 30, 2015:

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2016	\$ 21,623	\$ 6,657	\$ 28,280
2017	10,387	4,385	14,772
2018	10,597	4,176	14,773
2019	10,811	3,962	14,773
2020	11,029	3,744	14,773
2021-2025	58,576	15,287	73,863
2026-2030	64,731	9,132	73,863
2031-2035	57,877	2,444	60,321
	\$ 245,631	\$ 49,787	\$ 295,418

**Capital Lease Obligations**

A summary of assets acquired through capital lease is as follows as of June 30, 2015:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 183,772	\$ 334,678
Less: accumulated amortization	45,943	80,880
	\$ 137,829	\$ 253,798

Governmental activities amortization expense relative to leased equipment under the capital lease totaled \$45,943 for the year ended June 30, 2015. Business-type activities amortization expense relative to leased equipment under the capital lease totaled \$48,807 for the year ended June 30, 2015. Both amounts are included in depreciation and amortization expense disclosed in Note D.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2015 is as follows:

Year ending June 30:	Governmental Activities	Business-type Activities
2016	\$ 45,943	\$ 69,318
2017	45,943	69,318
2018	45,943	-
Total minimum lease payments	137,829	138,636
Less: amount representing interest	-	(3,616)
Present value of minimum lease payments	\$ 137,829	\$ 135,020

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE H - LONG-TERM LIABILITIES *(Continued)***

**Contract Payable**

The Town has entered into a long-term contract with the Mohegan Tribal Utility Authority in connection with its portion of costs from a Regional Water Extension Project. Such amount payable totals \$1,380,985, of which \$713,240 is owed by the Town and \$667,745 is owed by other parties. The Town has recorded \$654,800 as a receivable in the Water Department as of June 30, 2015, as the Town is collecting the debt payments to be remitted per terms of the agreement. The maturity date of the entire contract is September 2018.

**Landfill Post-Closure Care Costs**

The Town landfill has been closed. State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Estimated monitoring costs of \$19,000 per year for the next 9 years total \$171,000 at June 30, 2015. These amounts are based on estimates, which are subject to change due to inflation, technology or changes in applicable laws and regulations.

**Early Retirement Incentive**

The Board of Education provides early retirement incentive benefits to 4 former employees. Benefits are paid annually based on the retirement agreement for each employee. Benefits are payable through 2018. The amount paid from General Fund appropriations during the year ended June 30, 2015 was \$109,618.

**NOTE I - EMPLOYEE RETIREMENT PLANS**

**Connecticut Municipal Employees' Retirement System**

The Town participates in the Connecticut's Municipal Employees' Retirement System (CMERS). CMERS is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

Municipalities may designate which departments are to be covered under the CMERS. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Plan Description**

*Plan administration* - CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

*Plan membership* - All full-time employees of the Town, except for certified Board of Education personnel who are eligible for the State Teachers' Retirement System, who are age 55 or younger at the date of hire, participate in the CMERS plan for general employees with social security. Police employees of the Town participate in the CMERS plan for police and firemen with social security.

*Benefits provided* - General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1 % of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% 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, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Employees are eligible for early retirement after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of 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. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Plan Description *(Continued)***

*Contributions* - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The Town is required to contribute 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. The current rate is 11.98% of the annual Town employees' covered payroll and 16.96% of the Police employees' covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the CMERS for the years ended June 30, 2015, 2014 and 2013 were \$872,911, \$900,893, and \$785,150, respectively, and were equal to the required contributions for each year.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Summary of Significant Accounting Policies**

*Pensions* - For purposes of measuring the net pension liability, deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

*Investment policy* - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

**Net Pension Liability**

The total estimated net pension liability of the CMERS as of June 30, 2014 was \$238.116 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$4.990 million or approximately 2.096% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The portion of the net pension liability associated with the Town was based on the 2014 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

The Town's proportionate share of the net pension liability was allocated to the Town's business-type activities, in the amount of \$239 thousand, based on the proportion of current year contribution made by the business-type activities to the CMERS plan. The remaining proportionate share of the net pension liability, in the amount of \$4,751 million, was allocated to the Town's governmental activities.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut Municipal Employees' Retirement System *(Continued)***

**Net Pension Liability *(Continued)***

*Actuarial assumptions* - The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25% - 11.00%, including inflation
Investment rate of return	8.00%
Discount rate	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

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 (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 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	16%	5.80%
Developed Non-U.S. Equities	14%	6.60%
Emerging Markets (Non-U.S.)	7%	8.30%
Core Fixed Income	8%	1.30%
Inflation Linked Bonds	5%	1.00%
Emerging Market Bonds	8%	3.70%
High Yield Bonds	14%	3.90%
Real Estate	7%	5.10%
Private Equity	10%	7.60%
Alternative Investment	8%	4.10%
Liquidity Fund	3%	0.40%

*Discount rate* - The discount rate used to measure the CMERS' total pension liability was 8.00%. 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 State 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.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2015

**NOTE I - EMPLOYEE RETIREMENT PLANS (Continued)**

**Connecticut Municipal Employees' Retirement System (Continued)**

**Net Pension Liability (Continued)**

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

	<b>1% Decrease (7.00%)</b>	<b>Current Discount (8.00%)</b>	<b>1% Increase (9.00%)</b>
Town proportionate share of the net pension liability as of June 30, 2015	\$ 10,158,849	\$ 4,990,428	\$ 631,558

*Pension plan fiduciary net position* - Detailed information about the CMERS plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

**Pension Expense and Deferred Inflows of Resources**

For the year ended June 30, 2015, the Town recognized pension expense related to the CMERS of \$935,667. At June 30, 2015, the Town reported its proportionate share of deferred inflows of resources related to the MERS from the following source:

	<b>Deferred Inflows of Resources</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net difference between projected and actual earnings on pension plan investments	\$ 1,481,756	\$ 76,643
Total	\$ 1,481,756	\$ 76,643

Amounts reported as deferred inflows of resources related to the CMERS will be recognized as a component of pension expense in future years as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Year ended June 30,		
2016	\$ 370,439	\$ 19,161
2017	370,439	19,161
2018	370,439	19,161
2019	370,439	19,160
	\$ 1,481,756	\$ 76,643

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System**

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. For the year ended June 30, 2015, plan members of the Town contributed \$1,330,167 to the plan and covered payroll for the year was \$18,347,131. The Town has recognized on-behalf payments of \$4,696,866 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2014 was \$10.141 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$48.086 million or approximately 0.474% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined. The pension expense attributed to the Town totaled \$3,607,820 for the year ended June 30, 2015.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.75% - 7.0% (includes inflation)
Investment rate of return	8.5% (includes inflation)
Cost of living adjustments:	
Retirements prior to 9/1/1992	3.0%
Retirements on or after 9/1/1992	2.0%

For healthy retirees and beneficiaries, the RP-2000 Combined Mortality Table projected forward 19 years using scale AA, with a two-year setback for males and females.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE I - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

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 (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 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%	5.80%
Developed Non-U.S. Equities	18%	6.60%
Emerging Markets (Non-U.S.)	9%	8.30%
Core Fixed Income	7%	1.30%
Inflation Linked Bonds	3%	1.00%
Emerging Market Bonds	5%	3.70%
High Yield Bonds	5%	3.90%
Real Estate	7%	5.10%
Private Equity	11%	7.60%
Alternative Investment	8%	4.10%
Liquidity Fund	6%	0.40%

The discount rate used to measure the total pension liability was 8.50%. 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 State 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.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.50%) or 1-percentage-point higher (9.50%) than the current rate:

	<u>1% Decrease (7.50%)</u>	<u>Current Discount (8.50%)</u>	<u>1% Increase (9.50%)</u>
Town proportionate share of the net pension liability	\$61.4 million	\$48.1 million	\$36.8 million

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.



**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

The Town administers an Other Post-Employment Benefits Plan (the “Plan”), which is a single-employer defined benefit healthcare plan. The Plan provides healthcare insurance benefits for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, as well as certain life insurance benefits. Benefit provisions are established through negotiations between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

**Funding Policy**

Contribution requirements of the plan members and the Town are established in the Plan document and may be amended through negotiations between the Town and the unions. The Town finances the Plan on a pay-as-you-go basis. Currently, the Town contributes the following for various classes of employees covered:

*Board of Education Administrators:* Administrators receiving benefits are required to contribute 50% of their premium costs. Administrators hired on or after July 1, 2012 are required to contribute 75% of their premium costs. Administrators are eligible for benefits upon retirement and 20 years of service regardless of age.

*Board of Education Teachers:* Teachers retiring under the Connecticut State Teachers Retirement system are eligible to receive health benefits for self and spouse. Normal retirement for teachers is the earlier of age 60 with 20 years of services, or completion of 35 years of service regardless of age. Individuals receiving benefits contribute 100% of their premium costs.

**Annual OPEB Cost and Net OPEB Obligation**

The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined. 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 over a period not to exceed thirty years. The Town’s annual OPEB cost is primarily attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to premium rates offered to the Town’s active employees. 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	\$ 112,267
Interest on net OPEB obligation	1,195
Adjustment to annual required contribution	<u>(1,401)</u>
Annual OPEB cost (expense)	112,061
Contributions made	<u>100,262</u>
Increase in net OPEB obligation	11,799
Net OPEB obligation, beginning of year	<u>29,880</u>
Net OPEB obligation, end of year	<u><u>\$ 41,679</u></u>

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Annual OPEB Cost and Net OPEB Obligation *(Continued)***

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 104,777	88.0%	\$ 12,552
2014	107,924	83.9%	29,880
2015	112,061	89.5%	41,679

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2014 (the date of the most recent actuarial valuation) was as follows:

<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)</b>	<b>(Unfunded) AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
\$ -	\$ 1,500,164	\$ (1,500,164)	0.0%	N/A	N/A

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in 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 Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE J - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation date:	July 1, 2014
Actuarial cost method:	Entry Age Actuarial Cost Method
Amortization method:	Level Dollar Amount, Closed
Remaining amortization period:	24.58
Asset valuation method:	N/A
Actuarial assumptions:	
Inflation rate	2.5%
Interest rate	4.0%
Healthcare cost trend rate	8.0% initial 5.0% final

**NOTE K - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. During 2015, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

The Health Insurance Fund, an internal service fund, was established to account for and finance employee medical benefits claims for eligible full-time employees of both the Town and the Board of Education. The Town retains the risk of loss under the plan. A third party processes the claims filed under the self-insured health plan, for which the Town is charged an administrative fee. The Town has purchased a stop-loss policy for total claims in any one year exceeding an aggregate of 125% of expected claims and for individual claims exceeding \$150,000 for combined hospital and major medical.

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2015. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE K - RISK MANAGEMENT *(Continued)***

A summary of claims activity for the years ended June 30, 2014 and 2015 is as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2014	\$ 405,240	\$ 5,949,711	\$ 5,890,535	\$ 464,416
2015	464,416	6,147,029	6,100,441	511,004

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

There are several lawsuits pending against the Town. The Town's management believes it has meritorious defenses against these lawsuits and estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial condition of the Town.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

As of June 30, 2015, the Town has recorded \$1,431,291 in encumbrances. Such encumbrances have been included as part of the assigned fund balance designation.

**NOTE M - IMPLEMENTATION OF ACCOUNTING STANDARDS**

Effective July 1, 2014, the Town implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The implementation of these statements did not have a material effect on the Town's financial statements.

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaced the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. GASB Statement No. 68 required the Town to recognize a net pension liability relating to its proportionate share of long-term obligations for pension benefits in the government-wide financial statements. In addition, the implementation of GASB Statement No. 68 resulted in enhanced note disclosures and required supplementary information.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

**NOTE M - IMPLEMENTATION OF ACCOUNTING STANDARDS *(Continued)***

The Town has reported the following cumulative effect of applying GASB Statement No. 68 as an adjustment of beginning net position as of July 1, 2014. The adjustment recorded does not include the beginning effects of any deferred inflows of resources.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Net position - beginning, as originally reported	\$ 71,689,120	\$ 59,237,757
Adjustment to record net pension liability under GASB Statement No. 68	(6,598,429)	(334,774)
Net position - beginning, as adjusted	\$ 65,090,691	\$ 58,902,983

**NOTE N - RECENTLY ISSUED ACCOUNTING STANDARDS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for a) determining a fair value measurement for financial reporting purposes and b) applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2015. The Town does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of GASB Statement No. 68. The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68 are effective for the Town's reporting period beginning July 1, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for the Town's reporting period beginning July 1, 2015. The requirements of this statement for pension plans that are within the scope of GASB Statement No. 67, or for pensions that are within the scope of GASB Statement No. 68, are effective for the Town's reporting period beginning July 1, 2015. The Town does not expect this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town currently provides other post-employment benefits to certain eligible employees. The Town has not yet determined the impact that this statement will have on its financial statements.

**TOWN OF MONTVILLE, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2015

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**NOTE N - RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)***

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments and supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2015. The Town does not expect this statement to have a material effect on its financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF MONTVILLE, CONNECTICUT**  
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Unaudited)  
 CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
 JUNE 30, 2015

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	<b>2015</b>
Town's proportion of the net pension liability	2.0960%
Town's proportionate share of the net pension liability	\$ 4,990,428
Town's covered payroll	\$ 10,187,832
Town's proportionate share of the net pension liability as a percentage of its covered payroll	49.0%
Plan fiduciary net position as a percentage of the total pension liability	90.48%

**Notes to Schedule:**

<b>Valuation Date</b>	6/30/2014
<b>Measurement Date</b>	6/30/2014
<b>Reporting Date</b>	6/30/2015
<b>Methods and assumptions used to determine contribution rates:</b>	
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level dollar, closed
<b>Remaining amortization period</b>	27 years
<b>Asset valuation method</b>	5-year smoothed market (20% write up)
<b>Investment rate of return</b>	8.00%
<b>Salary increases</b>	4.25% - 11.00%, including inflation
<b>Inflation</b>	3.25%

**Note:** The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

*See accompanying Independent Auditor's Report .*



**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS (Unaudited)**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**JUNE 30, 2015**

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	<b>2015</b>
Contractually required contribution	\$ 872,911
Contributions in relation to the contractually required contribution	872,911
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 10,187,832
Contributions as a percentage of covered employee payroll	8.57%

**Notes to Schedule:**

**Benefit Changes**      None noted

**Assumption Changes**      None noted

**Note:**                      The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Unaudited)  
 CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM  
 JUNE 30, 2015  
 (Dollar amounts in thousands)

	<b>2015</b>
Town's proportion of the net pension liability	0.474%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	48,086
Total	\$ 48,086
Town's covered payroll	\$ 18,347
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

**Notes to Schedule:**

<b>Valuation Date</b>	6/30/2014
<b>Measurement Date</b>	6/30/2014
<b>Reporting Date</b>	6/30/2015
<b>Methods and assumptions used to determine contribution rates:</b>	
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level percent of pay, closed
<b>Remaining amortization period</b>	22.4 years
<b>Asset valuation method</b>	4 year smoothed market
<b>Investment rate of return</b>	8.50%
<b>Salary increases</b>	3.75% - 7.00%, including inflation
<b>Inflation</b>	3.00%

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

*See accompanying Independent Auditor's Report .*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULES OF FUNDING PROGRESS (Unaudited)**  
**JUNE 30, 2015**

**Other Post Employment Benefits Program**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2008	\$ -	\$ 924,746	\$ 924,746	0.0%	N/A	N/A
July 1, 2010	-	823,001	823,001	0.0%	N/A	N/A
July 1, 2012	-	1,284,731	1,284,731	0.0%	N/A	N/A
July 1, 2014	-	1,500,164	1,500,164	0.0%	N/A	N/A

*See accompanying Independent Auditor's Report.*

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>PROPERTY TAXES</b>				
Revenues from property taxes	\$ 36,752,712	\$ 36,752,712	\$ 36,343,742	\$ (408,970)
Telephone access	55,000	55,000	55,849	849
Interest and lien fees	320,000	320,000	312,701	(7,299)
Total property taxes	<u>37,127,712</u>	<u>37,127,712</u>	<u>36,712,292</u>	<u>(415,420)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
State grants for school aid:				
ECS grant	12,768,219	12,768,219	12,787,949	19,730
Transportation	243,698	243,698	321,014	77,316
Special education	300,000	300,000	214,318	(85,682)
Adult education	31,093	31,093	31,192	99
Total state grants for school aid	<u>13,343,010</u>	<u>13,343,010</u>	<u>13,354,473</u>	<u>11,463</u>
State grants unspecified:				
In lieu of taxes - State property	1,974,704	1,974,704	1,983,026	8,322
Emergency management program	9,000	9,000	-	(9,000)
Tax relief for elderly	119,130	119,130	108,060	(11,070)
Tax relief for disabled	3,000	3,000	3,276	276
Tax relief for veterans	9,590	9,590	9,464	(126)
Property tax relief	345,327	345,327	345,327	-
Other grants	40,000	40,000	162,220	122,220
CT Fines reimbursement	14,000	14,000	16,497	2,497
Elect restructuring grant	195,000	195,000	195,220	220
Pequot funds	1,061,891	1,061,891	1,068,665	6,774
Municipal revenue sharing	67,278	67,278	-	(67,278)
MRSA Municipal Projects	497,189	497,189	497,189	-
Total state grants unspecified	<u>4,336,109</u>	<u>4,336,109</u>	<u>4,388,944</u>	<u>52,835</u>
Total intergovernmental revenues	<u>17,679,119</u>	<u>17,679,119</u>	<u>17,743,417</u>	<u>64,298</u>
<b>CHARGES FOR SERVICES</b>				
Licenses and permits:				
Conveyance tax	115,000	115,000	120,832	5,832
Town clerk fees	120,000	120,000	120,967	967
Dog licenses	5,000	5,000	5,587	587
Dog warden	1,500	1,500	1,836	336
Building department	150,000	150,000	245,504	95,504
Miscellaneous permits	15,000	15,000	11,140	(3,860)
Fire permits	60,000	60,000	86,327	26,327
Transfer station	174,000	174,000	162,239	(11,761)
Total licenses and permits	<u>640,500</u>	<u>640,500</u>	<u>754,432</u>	<u>113,932</u>
Revenue from other agencies:				
Planning and zoning and zoning board of appeals	6,000	6,000	4,945	(1,055)
Parks and recreations	80,000	80,000	102,017	22,017
Camp Oakdale rent	4,000	4,000	4,065	65
Fair oaks facility rental	1,000	1,000	1,965	965
Housing authority	29,490	29,490	29,727	237
Youth service program	42,800	42,800	47,358	4,558
Total revenue from other agencies	<u>163,290</u>	<u>163,290</u>	<u>190,077</u>	<u>26,787</u>

*(Continued)*

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>CHARGES FOR SERVICES (Continued)</b>				
Charges for current services:				
Tuition regular	\$ 100,000	\$ 100,000	\$ 64,905	\$ (35,095)
Tuition special education	145,000	145,000	206,265	61,265
School miscellaneous revenue	2,000	2,000	4,475	2,475
Personal property audits	100,000	100,000	6,686	(93,314)
Public works department	500	500	718	218
Commercial tipping fees	350,000	350,000	418,284	68,284
Copy money	1,000	1,000	1,187	187
Total charges for current services	<u>698,500</u>	<u>698,500</u>	<u>702,520</u>	<u>4,020</u>
Miscellaneous:				
St. Bernard's health service	20,000	20,000	24,186	4,186
Police reimbursement	130,000	130,000	188,343	58,343
Insurance reimbursement	25,000	25,000	75,616	50,616
Millstone reimbursement	265,000	265,000	29,947	(235,053)
Fire marshal private duty	5,000	5,000	840	(4,160)
All other miscellaneous	30,000	30,000	86,519	56,519
Sale of assets	20,000	20,000	24,000	4,000
Mohegan contributions	500,000	500,000	500,000	-
WPCA rental	11,000	11,000	11,000	-
Engineering review reimbursement	1,000	1,000	-	(1,000)
Total miscellaneous	<u>1,007,000</u>	<u>1,007,000</u>	<u>940,451</u>	<u>(66,549)</u>
Total charges for services	<u>2,509,290</u>	<u>2,509,290</u>	<u>2,587,480</u>	<u>78,190</u>
<b>REVENUE FROM USE OF TOWN MONEY</b>				
Investment interest	30,000	30,000	41,998	11,998
Sewer assessments	-	-	26,055	26,055
Water assessments	-	-	642	642
Total revenue from use of Town money	<u>30,000</u>	<u>30,000</u>	<u>68,695</u>	<u>38,695</u>
Total revenues	<u>57,346,121</u>	<u>57,346,121</u>	<u>57,111,884</u>	<u>(234,237)</u>
<b>OTHER FINANCING SOURCES</b>				
Cancellation of prior year encumbrances	-	-	13,574	13,574
Appropriation of fund balance	-	350,457	-	(350,457)
Transfers in - WPCA Financial Services	10,000	10,000	10,000	-
Total other financing sources	<u>10,000</u>	<u>360,457</u>	<u>23,574</u>	<u>(336,883)</u>
Total revenues and other financing sources	<u>\$ 57,356,121</u>	<u>\$ 57,706,578</u>	<u>\$ 57,135,458</u>	<u>\$ (571,120)</u>

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>GENERAL GOVERNMENT</b>				
Mayor:				
Human services	\$ 133,400	\$ 133,908	\$ 133,900	\$ (8)
Contractual services	47,850	52,540	52,539	(1)
Commodities	5,750	7,302	7,157	(145)
Total mayor	<u>187,000</u>	<u>193,750</u>	<u>193,596</u>	<u>(154)</u>
Town council:				
Human services	19,500	19,477	19,281	(196)
Commodities	8,250	12,273	11,787	(486)
Total town council	<u>27,750</u>	<u>31,750</u>	<u>31,068</u>	<u>(682)</u>
Town attorney	<u>235,000</u>	<u>235,000</u>	<u>200,825</u>	<u>(34,175)</u>
Town hall / central services:				
Contractual services	154,200	145,439	144,372	(1,067)
Commodities	60,500	57,591	56,602	(989)
Capital	1,500	13,170	12,702	(468)
Total town hall / central services	<u>216,200</u>	<u>216,200</u>	<u>213,676</u>	<u>(2,524)</u>
Probate court	<u>15,000</u>	<u>15,000</u>	<u>14,844</u>	<u>(156)</u>
Finance department:				
Human services	541,250	538,385	529,380	(9,005)
Contractual services	61,700	63,100	57,626	(5,474)
Commodities	9,000	10,465	10,168	(297)
Total finance department	<u>611,950</u>	<u>611,950</u>	<u>597,174</u>	<u>(14,776)</u>
Insurance and taxes	<u>3,513,985</u>	<u>3,513,985</u>	<u>3,377,858</u>	<u>(136,127)</u>
Board of assessment appeals:				
Human services	500	500	157	(343)
Commodities	100	100	-	(100)
Total board of assessment appeals	<u>600</u>	<u>600</u>	<u>157</u>	<u>(443)</u>
Auditor	<u>17,000</u>	<u>17,000</u>	<u>16,500</u>	<u>(500)</u>
Other	<u>195,000</u>	<u>53,250</u>	<u>44,354</u>	<u>(8,896)</u>
Town clerk:				
Human services	125,868	126,588	126,561	(27)
Contractual services	150	150	100	(50)
Commodities	23,900	23,180	16,510	(6,670)
Total town clerk	<u>149,918</u>	<u>149,918</u>	<u>143,171</u>	<u>(6,747)</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*



**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>GENERAL GOVERNMENT (Continued)</b>				
Registrar of voters:				
Human services	\$ 36,036	\$ 36,036	\$ 36,036	\$ -
Contractual services	220	220	175	(45)
Commodities	2,200	2,200	1,826	(374)
Total registrar of voters	<u>38,456</u>	<u>38,456</u>	<u>38,037</u>	<u>(419)</u>
Elections / referendum:				
Contractual services	25,088	25,088	22,080	(3,008)
Commodities	16,800	16,800	15,685	(1,115)
Total elections / referendum	<u>41,888</u>	<u>41,888</u>	<u>37,765</u>	<u>(4,123)</u>
Land use department:				
Human services	239,829	222,829	210,451	(12,378)
Contractual services	600	600	225	(375)
Commodities	16,300	16,300	11,325	(4,975)
Capital	250	4,250	3,248	(1,002)
Total land use department	<u>256,979</u>	<u>243,979</u>	<u>225,249</u>	<u>(18,730)</u>
Inlands wetlands commission:				
Human services	800	800	689	(111)
Commodities	210	210	60	(150)
Total inlands wetlands commission	<u>1,010</u>	<u>1,010</u>	<u>749</u>	<u>(261)</u>
Economic development commission:				
Human services	900	400	323	(77)
Commodities	600	600	240	(360)
Total economic development commission	<u>1,500</u>	<u>1,000</u>	<u>563</u>	<u>(437)</u>
Building board of appeals	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Zoning board of appeals	<u>600</u>	<u>1,100</u>	<u>1,037</u>	<u>(63)</u>
Senior Center:				
Human services	143,768	143,960	143,332	(628)
Contractual services	34,100	34,578	30,751	(3,827)
Commodities	16,515	15,845	15,133	(712)
Total senior center	<u>194,383</u>	<u>194,383</u>	<u>189,216</u>	<u>(5,167)</u>
Youth services:				
Human services	150,350	150,343	144,229	(6,114)
Contractual services	44,425	44,977	29,162	(15,815)
Commodities	7,380	6,835	4,105	(2,730)
Total youth services	<u>202,155</u>	<u>202,155</u>	<u>177,496</u>	<u>(24,659)</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
 BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Continued)*  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
<b>GENERAL GOVERNMENT <i>(Continued)</i></b>				
Private duty	\$ 135,000	\$ 131,000	\$ 117,333	\$ (13,667)
Building inspector:				
Human services	171,967	172,965	172,320	(645)
Contractual services	400	400	290	(110)
Commodities	3,550	2,552	1,122	(1,430)
Capital	400	400	99	(301)
Total building inspector	<u>176,317</u>	<u>176,317</u>	<u>173,831</u>	<u>(2,486)</u>
Information technology:				
Human services	100,351	96,201	92,566	(3,635)
Contractual services	244,300	248,300	248,235	(65)
Commodities	4,050	4,200	4,199	(1)
Total information technology	<u>348,701</u>	<u>348,701</u>	<u>345,000</u>	<u>(3,701)</u>
Total general government	<u>6,566,442</u>	<u>6,418,442</u>	<u>6,139,499</u>	<u>(278,943)</u>
<b>PUBLIC SAFETY</b>				
Emergency management:				
Human services	75,770	75,770	75,216	(554)
Contractual services	15,000	15,000	14,150	(850)
Commodities	3,285	3,285	2,118	(1,167)
Total emergency management	<u>94,055</u>	<u>94,055</u>	<u>91,484</u>	<u>(2,571)</u>
Police department:				
Human services	1,799,955	1,795,036	1,794,057	(979)
Contractual services	158,000	149,018	146,252	(2,766)
Commodities	65,200	83,439	82,825	(614)
Capital	18,500	18,162	18,138	(24)
Total police department	<u>2,041,655</u>	<u>2,045,655</u>	<u>2,041,272</u>	<u>(4,383)</u>
Fire marshal:				
Human services	83,905	84,801	84,799	(2)
Commodities	4,935	4,039	3,726	(313)
Total fire marshal	<u>88,840</u>	<u>88,840</u>	<u>88,525</u>	<u>(315)</u>
Animal control:				
Human services	55,460	56,836	56,833	(3)
Contractual services	4,345	3,544	2,962	(582)
Commodities	5,550	4,975	4,273	(702)
Total animal control	<u>65,355</u>	<u>65,355</u>	<u>64,068</u>	<u>(1,287)</u>
Public safety commission:				
Human services	1,500	1,500	519	(981)
Commodities	50	50	-	(50)
Total public safety commission	<u>1,550</u>	<u>1,550</u>	<u>519</u>	<u>(1,031)</u>

*(Continued)*

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PUBLIC SAFETY <i>(Continued)</i></b>				
Dispatch:				
Human services	\$ 291,000	\$ 291,300	\$ 289,430	\$ (1,870)
Commodities	4,550	4,250	3,177	(1,073)
Total dispatch	<u>295,550</u>	<u>295,550</u>	<u>292,607</u>	<u>(2,943)</u>
Fire protection:				
Human services	708,000	712,475	712,454	(21)
Contractual services	372,202	372,202	372,202	-
Commodities	74,900	70,425	68,816	(1,609)
Total fire protection	<u>1,155,102</u>	<u>1,155,102</u>	<u>1,153,472</u>	<u>(1,630)</u>
Public safety building:				
Contractual services	73,000	85,672	85,668	(4)
Commodities	6,500	6,828	6,781	(47)
Total public safety building	<u>79,500</u>	<u>92,500</u>	<u>92,449</u>	<u>(51)</u>
Total public safety	<u>3,821,607</u>	<u>3,838,607</u>	<u>3,824,396</u>	<u>(14,211)</u>
<b>PUBLIC WORKS</b>				
Public works:				
Human services	1,230,776	1,279,741	1,278,482	(1,259)
Contractual services	488,450	455,902	444,099	(11,803)
Commodities	660,900	812,725	801,847	(10,878)
Capital	6,600	8,358	7,611	(747)
Total public works	<u>2,386,726</u>	<u>2,556,726</u>	<u>2,532,039</u>	<u>(24,687)</u>
Camp Oakdale:				
Contractual services	61,300	56,567	56,221	(346)
Commodities	13,100	17,418	17,418	-
Capital	500	915	894	-
Total Camp Oakdale	<u>74,900</u>	<u>74,900</u>	<u>74,533</u>	<u>(367)</u>
Solid waste:				
Human services	137,700	137,700	124,743	(12,957)
Contractual services	854,200	850,764	819,723	(31,041)
Commodities	34,700	37,183	34,185	(2,998)
Capital	3,000	3,953	3,952	(1)
Total solid waste	<u>1,029,600</u>	<u>1,029,600</u>	<u>982,603</u>	<u>(46,997)</u>
Engineering services	<u>135,000</u>	<u>135,000</u>	<u>134,439</u>	<u>(561)</u>
Total public works	<u>3,626,226</u>	<u>3,796,226</u>	<u>3,723,614</u>	<u>(72,612)</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>HEALTH AND WELFARE</b>				
Contractual services	\$ 180,566	\$ 180,566	\$ 179,488	\$ (1,078)
Commodities	700	700	486	(214)
Total health and welfare	<u>181,266</u>	<u>181,266</u>	<u>179,974</u>	<u>(1,292)</u>
<b>SOCIAL SERVICES</b>				
Human services	29,945	31,245	31,089	(156)
Contractual services	2,800	1,674	1,095	(579)
Commodities	400	226	214	(12)
Total social services	<u>33,145</u>	<u>33,145</u>	<u>32,398</u>	<u>(747)</u>
<b>RECREATION AND LEISURE</b>				
Recreation:				
Human services	198,430	195,062	195,019	(43)
Contractual services	775	775	654	(121)
Commodities	28,060	30,928	27,645	(3,283)
Capital	3,600	3,600	3,565	(35)
Total recreation	<u>230,865</u>	<u>230,365</u>	<u>226,883</u>	<u>(3,482)</u>
Fair oaks building	<u>32,200</u>	<u>37,200</u>	<u>36,411</u>	<u>(789)</u>
Parks and recreation commission:				
Human services	<u>500</u>	<u>1,000</u>	<u>973</u>	<u>(27)</u>
Total recreation and leisure	<u>263,565</u>	<u>268,565</u>	<u>264,267</u>	<u>(4,298)</u>
<b>MISCELLANEOUS</b>				
Donations to organizations	<u>65,300</u>	<u>65,300</u>	<u>65,125</u>	<u>(175)</u>
<b>EDUCATION</b>	<u>37,200,441</u>	<u>37,200,441</u>	<u>36,963,485</u>	<u>(236,956)</u>
<b>CAPITAL OUTLAY</b>	<u>1,182,642</u>	<u>1,376,142</u>	<u>1,116,575</u>	<u>(259,567)</u>
<b>DEBT SERVICE</b>				
Redemption of debt - principal	3,092,998	3,020,498	3,019,000	(1,498)
Interest payments	1,322,489	1,322,489	1,322,488	(1)
Total debt service	<u>4,415,487</u>	<u>4,342,987</u>	<u>4,341,488</u>	<u>(1,499)</u>
Total expenditures	<u>57,356,121</u>	<u>57,521,121</u>	<u>56,650,821</u>	<u>(870,300)</u>
<b>OTHER FINANCING USES</b>				
Continued appropriations - Education	<u>-</u>	<u>185,457</u>	<u>185,457</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 57,356,121</u>	<u>\$ 57,706,578</u>	<u>\$ 56,836,278</u>	<u>\$ (870,300)</u>

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Grand List Year	Balance Uncollected June 30, 2014	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2015
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
1998	\$ 5,878	\$ -	\$ -	\$ 5,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	1,377	-	-	166	1,211	-	-	-	-	-
2000	2,756	-	-	173	275	2,308	-	-	-	2,308
2001	4,949	-	-	123	163	4,663	-	-	-	4,663
2002	3,318	-	-	138	168	3,012	-	-	-	3,012
2003	3,351	-	-	140	172	3,039	-	-	-	3,039
2004	6,148	-	-	145	180	5,823	-	-	-	5,823
2005	6,183	-	-	149	-	6,034	-	-	-	6,034
2006	7,559	-	-	524	-	7,035	-	-	-	7,035
2007	16,917	-	29	527	-	16,419	-	-	-	16,419
2008	37,910	-	-	5,509	388	32,013	3,801	-	3,801	28,212
2009	99,239	-	-	1,400	19,035	78,804	8,334	4,562	12,896	70,470
2010	270,129	-	167	1,353	4,451	264,492	30,491	27,094	57,585	234,001
2011	410,390	-	708	8,317	5,237	397,544	84,627	39,544	124,171	312,917
2012	924,815	-	1,652	9,579	4,638	912,250	270,676	68,262	338,938	641,574
2013	-	36,846,676	55,688	97,851	9,803	36,794,710	35,912,024	155,206	36,067,230	882,686
	<u>\$ 1,800,919</u>	<u>\$ 36,846,676</u>	<u>\$ 58,244</u>	<u>\$ 131,972</u>	<u>\$ 45,721</u>	<u>\$ 38,528,146</u>	<u>\$ 36,309,953</u>	<u>\$ 294,668</u>	<u>\$ 36,604,621</u>	<u>\$ 2,218,193</u>

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Total cash collections for the year ended  
June 30, 2015:

Taxes	\$ 36,309,953
Interest and lien fees	294,668
Total	<u>36,604,621</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	108,060
Base	<u>\$ 36,712,681</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 82,603,532	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	165,207,065	-	-	-
3-3/4 times base	-	-	137,672,554	-	-
3-1/4 times base	-	-	-	119,316,213	-
3 times base	-	-	-	-	110,138,043
Total debt limitation	<u>82,603,532</u>	<u>165,207,065</u>	<u>137,672,554</u>	<u>119,316,213</u>	<u>110,138,043</u>
Indebtedness:					
Bonds payable	33,716,200	3,915,000	2,263,800	-	-
Authorized but unissued bonds	700,000	3,900,500	-	-	-
Total indebtedness	<u>34,416,200</u>	<u>7,815,500</u>	<u>2,263,800</u>	<u>-</u>	<u>-</u>
Less: assessments receivable	30,543	-	-	-	-
Less: School construction grants receivable	-	1,163,251	-	-	-
Net indebtedness	<u>34,385,657</u>	<u>6,652,249</u>	<u>2,263,800</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 48,217,875</u>	<u>\$ 158,554,816</u>	<u>\$ 135,408,754</u>	<u>\$ 119,316,213</u>	<u>\$ 110,138,043</u>
Total capacity of borrowing (7 times base)	\$ 256,988,767				
Total present indebtedness	<u>43,301,706</u>				
Margin for additional borrowing	<u>\$ 213,687,061</u>				

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE II**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 3,274,736	\$ 61	\$ 1,424	\$ 3,273,373	\$ 422,036	\$ 258,863	\$ 680,899	\$ 2,851,337
2003	2,851,337	-	4,108	2,847,229	466,519	297,766	764,285	2,380,710
2004	2,380,710	65	3,584	2,377,191	323,598	165,781	489,379	2,053,593
2005	2,053,593	218	-	2,053,811	299,662	138,690	438,352	1,754,149
2006	1,754,149	24	46,244	1,707,929	367,903	225,632	593,535	1,340,026
2007	1,340,026	142	-	1,340,168	260,239	91,784	352,023	1,079,929
2008	1,079,929	-	2,702	1,077,227	211,382	74,600	285,982	865,845
2009	865,845	-	4,106	861,739	184,117	64,108	248,225	677,622
2010	677,622	-	175	677,447	189,341	41,507	230,848	488,106
2011	488,106	20	-	488,126	154,173	31,885	186,058	333,953
2012	333,953	-	20	333,933	138,002	25,776	163,778	195,931
2013	195,931	-	1,338	194,593	134,573	21,363	155,936	60,020
2014	60,020	-	-	60,020	18,244	9,246	27,490	41,776
2015	41,776	-	5,971	35,805	8,041	4,376	12,417	27,764

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE IIA**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 203,539	\$ -	\$ -	\$ 203,539	\$ 22,693	\$ 15,208	\$ 37,901	\$ 180,846
2003	180,846	-	-	180,846	20,749	11,254	32,003	160,097
2004	160,097	-	-	160,097	22,840	11,871	34,711	137,257
2005	137,257	-	-	137,257	17,092	8,130	25,222	120,165
2006	120,165	-	-	120,165	23,957	21,204	45,161	96,208
2007	96,208	-	-	96,208	16,881	6,830	23,711	79,327
2008	79,327	-	-	79,327	20,622	9,200	29,822	58,705
2009	58,705	-	-	58,705	13,176	3,462	16,638	45,529
2010	45,529	-	-	45,529	11,755	2,347	14,102	33,774
2011	33,774	-	-	33,774	18,367	11,218	29,585	15,407
2012	15,407	165	-	15,572	12,344	1,682	14,026	3,228
2013	3,228	-	-	3,228	1,202	401	1,603	2,026
2014	2,026	-	-	2,026	1,763	1,652	3,415	263
2015	263	-	-	263	263	163	426	-

*See accompanying Independent Auditor's Report.*



**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF WATER ASSESSMENT COLLECTIONS- PHASE IV**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 154,119	\$ -	\$ -	\$ 154,119	\$ 15,255	\$ 7,520	\$ 22,775	\$ 138,864
2003	138,864	-	-	138,864	18,057	5,775	23,832	120,807
2004	120,807	-	-	120,807	11,026	4,686	15,712	109,781
2005	109,781	-	-	109,781	12,041	4,836	16,877	97,740
2006	97,740	-	14,521	83,219	26,527	13,500	40,027	56,692
2007	56,692	-	-	56,692	10,359	2,638	12,997	46,333
2008	46,333	-	-	46,333	8,714	1,896	10,610	37,619
2009	37,619	-	-	37,619	12,898	1,829	14,727	24,721
2010	24,721	-	-	24,721	8,811	1,720	10,531	15,910
2011	15,910	82	-	15,992	9,319	1,528	10,847	6,673
2012	6,673	-	-	6,673	537	268	805	6,136
2013	6,136	-	-	6,136	1,967	2,686	4,653	4,169
2014	4,169	-	-	4,169	927	468	1,395	3,242
2015	3,242	-	-	3,242	463	178	641	2,779

*See accompanying Independent Auditor's Report.*

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**NONMAJOR GOVERNMENTAL FUNDS**

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**TOWN OF MONTVILLE, CONNECTICUT**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<b>Nonmajor Special Revenue Funds</b>						
	<b>Town Aid Road Fund</b>	<b>Hot Lunch Program Fund</b>	<b>Special Education Grants Fund</b>	<b>Social Services Fund</b>	<b>Youth Service Bureau Fund</b>	<b>Learn Not to Burn Fund</b>	<b>Town Historic Preservation Fund</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 221,618	\$ 71,426	\$ -	\$ -	\$ -	\$ -
Receivables:							
Intergovernmental	-	80,453	-	-	-	-	-
Other	-	4,985	-	-	-	-	-
Due from other funds	58,620	-	-	214,364	30,039	359	7,909
Inventories	-	33,152	-	-	-	-	-
Total assets	<u>\$ 58,620</u>	<u>\$ 340,208</u>	<u>\$ 71,426</u>	<u>\$ 214,364</u>	<u>\$ 30,039</u>	<u>\$ 359</u>	<u>\$ 7,909</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 9,660	\$ -	\$ 2,476	\$ 1,336	\$ -	\$ -
Accrued liabilities	-	10,481	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	58,620	15,718	71,426	-	-	-	-
Total liabilities	<u>58,620</u>	<u>35,859</u>	<u>71,426</u>	<u>2,476</u>	<u>1,336</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Nonspendable	-	33,152	-	-	-	-	-
Restricted	-	-	-	-	-	359	-
Committed	-	271,197	-	211,888	28,703	-	7,909
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>304,349</u>	<u>-</u>	<u>211,888</u>	<u>28,703</u>	<u>359</u>	<u>7,909</u>
Total liabilities and fund balances	<u>\$ 58,620</u>	<u>\$ 340,208</u>	<u>\$ 71,426</u>	<u>\$ 214,364</u>	<u>\$ 30,039</u>	<u>\$ 359</u>	<u>\$ 7,909</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Continued)**  
**JUNE 30, 2015**

	Nonmajor Special Revenue Funds					Nonmajor Capital Project Funds		
	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation	Police Forfeiture Fund	Miscellaneous State Grants Fund	Total Special Revenue Funds	LOCIP Fund	Capital Nonrecurring Fund
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,044	\$ -	\$ -
Receivables:								
Intergovernmental	-	-	-	-	-	80,453	-	-
Other	-	-	-	-	-	4,985	-	-
Due from other funds	3,131	52,870	4,024	6,992	2,739	381,047	60,213	137,138
Inventories	-	-	-	-	-	33,152	-	-
Total assets	<u>\$ 3,131</u>	<u>\$ 52,870</u>	<u>\$ 4,024</u>	<u>\$ 6,992</u>	<u>\$ 2,739</u>	<u>\$ 792,681</u>	<u>\$ 60,213</u>	<u>\$ 137,138</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 7,725	\$ 110	\$ -	\$ -	\$ 21,307	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	10,481	-	-
Due to other funds	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	2,739	148,503	-	-
Total liabilities	<u>-</u>	<u>7,725</u>	<u>110</u>	<u>-</u>	<u>2,739</u>	<u>180,291</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	33,152	-	-
Restricted	3,131	-	3,914	6,992	-	14,396	60,213	-
Committed	-	45,145	-	-	-	564,842	-	137,138
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>3,131</u>	<u>45,145</u>	<u>3,914</u>	<u>6,992</u>	<u>-</u>	<u>612,390</u>	<u>60,213</u>	<u>137,138</u>
Total liabilities and fund balances	<u>\$ 3,131</u>	<u>\$ 52,870</u>	<u>\$ 4,024</u>	<u>\$ 6,992</u>	<u>\$ 2,739</u>	<u>\$ 792,681</u>	<u>\$ 60,213</u>	<u>\$ 137,138</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS *(Continued)*  
 JUNE 30, 2015

	<b>Nonmajor Capital Project Funds</b>					<b>Total Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Capital Projects Fund</b>	<b>Open Space Fund</b>	<b>Bridges Fund</b>	<b>Bridge St. Remediation</b>	<b>Chesterfield Sidewalks</b>		
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293,044
Receivables:							
Intergovernmental	-	-	4,310	62,386	-	66,696	147,149
Other	-	-	-	-	-	-	4,985
Due from other funds	995,764	5,000	449,619	-	106,109	1,753,843	2,134,890
Inventories	-	-	-	-	-	-	33,152
Total assets	<u>\$ 995,764</u>	<u>\$ 5,000</u>	<u>\$ 453,929</u>	<u>\$ 62,386</u>	<u>\$ 106,109</u>	<u>\$ 1,820,539</u>	<u>\$ 2,613,220</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 91,987	\$ 57,386	\$ 93,642	\$ 243,015	\$ 264,322
Accrued liabilities	-	-	-	-	-	-	10,481
Due to other funds	-	-	-	5,000	-	5,000	5,000
Unearned revenue	-	-	382,599	-	12,467	395,066	543,569
Total liabilities	<u>-</u>	<u>-</u>	<u>474,586</u>	<u>62,386</u>	<u>106,109</u>	<u>643,081</u>	<u>823,372</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	33,152
Restricted	-	-	-	-	-	60,213	74,609
Committed	995,764	5,000	-	-	-	1,137,902	1,702,744
Unassigned	-	-	(20,657)	-	-	(20,657)	(20,657)
Total fund balances	<u>995,764</u>	<u>5,000</u>	<u>(20,657)</u>	<u>-</u>	<u>-</u>	<u>1,177,458</u>	<u>1,789,848</u>
Total liabilities and fund balances	<u>\$ 995,764</u>	<u>\$ 5,000</u>	<u>\$ 453,929</u>	<u>\$ 62,386</u>	<u>\$ 106,109</u>	<u>\$ 1,820,539</u>	<u>\$ 2,613,220</u>

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	<b>Nonmajor Special Revenue Funds</b>						<b>Town Historic Preservation Fund</b>
	<b>Town Aid Road Fund</b>	<b>Hot Lunch Program Fund</b>	<b>Special Education Grants Fund</b>	<b>Social Services Fund</b>	<b>Youth Service Bureau Fund</b>	<b>Learn Not to Burn Fund</b>	
<b>REVENUES</b>							
Intergovernmental	\$ 432,477	\$ 555,940	\$ 1,196,967	\$ 75,150	\$ -	\$ -	\$ 5,000
Charges for services	-	437,746	-	59,035	24,230	-	6,709
Donations	-	-	-	19,331	-	-	-
Interest income	-	-	-	-	-	-	-
Total revenues	<u>432,477</u>	<u>993,686</u>	<u>1,196,967</u>	<u>153,516</u>	<u>24,230</u>	<u>-</u>	<u>11,709</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	169,987	23,030	-	9,422
Public safety	-	-	-	-	-	-	-
Public works	466,147	-	-	-	-	-	-
Recreation and leisure	-	-	-	-	-	-	-
Education	-	1,029,944	1,196,967	-	-	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	<u>466,147</u>	<u>1,029,944</u>	<u>1,196,967</u>	<u>169,987</u>	<u>23,030</u>	<u>-</u>	<u>9,422</u>
Excess (deficiency) of revenues over expenditures	(33,670)	(36,258)	-	(16,471)	1,200	-	2,287
<b>OTHER FINANCING SOURCES</b>							
Transfers in	-	-	-	-	-	-	-
Net change in fund balances	(33,670)	(36,258)	-	(16,471)	1,200	-	2,287
Fund balances - beginning	<u>33,670</u>	<u>340,607</u>	<u>-</u>	<u>228,359</u>	<u>27,503</u>	<u>359</u>	<u>5,622</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 304,349</u>	<u>\$ -</u>	<u>\$ 211,888</u>	<u>\$ 28,703</u>	<u>\$ 359</u>	<u>\$ 7,909</u>

*(Continued)*

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS *(Continued)*  
 FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Special Revenue Funds					Nonmajor Capital Project Funds		
	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation	Police Forfeiture Fund	Miscellaneous State Grants Fund	Total Special Revenue Funds	LOCIP Fund	Capital Nonrecurring Fund
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,737	\$ 41,061	\$ 2,308,332	\$ -	\$ -
Charges for services	-	61,186	-	-	-	588,906	7,191	-
Donations	100	-	1,706	-	-	21,137	-	-
Interest income	-	-	-	-	-	-	-	10
Total revenues	<u>100</u>	<u>61,186</u>	<u>1,706</u>	<u>1,737</u>	<u>41,061</u>	<u>2,918,375</u>	<u>7,191</u>	<u>10</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	41,061	243,500	-	-
Public safety	136	-	1,139	929	-	2,204	-	-
Public works	-	-	-	-	-	466,147	-	-
Recreation and leisure	-	49,789	-	-	-	49,789	-	-
Education	-	-	-	-	-	2,226,911	-	-
Capital outlays	-	-	-	-	-	-	44,750	29,378
Total expenditures	<u>136</u>	<u>49,789</u>	<u>1,139</u>	<u>929</u>	<u>41,061</u>	<u>2,988,551</u>	<u>44,750</u>	<u>29,378</u>
Excess (deficiency) of revenues over expenditures	(36)	11,397	567	808	-	(70,176)	(37,559)	(29,368)
<b>OTHER FINANCING SOURCES</b>								
Transfers in	-	-	-	-	-	-	-	-
Net change in fund balances	(36)	11,397	567	808	-	(70,176)	(37,559)	(29,368)
Fund balances - beginning	3,167	33,748	3,347	6,184	-	682,566	97,772	166,506
Fund balances - ending	<u>\$ 3,131</u>	<u>\$ 45,145</u>	<u>\$ 3,914</u>	<u>\$ 6,992</u>	<u>\$ -</u>	<u>\$ 612,390</u>	<u>\$ 60,213</u>	<u>\$ 137,138</u>

*(Continued)*

See accompanying Independent Auditor's Report.

**TOWN OF MONTVILLE, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS (Continued)  
 FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Capital Project Funds					Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Capital Projects Funds	Open Space Fund	Bridges Fund	Bridge St. Remediation	Chesterfield Sidewalks		
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ 358,454	\$ 62,386	\$ 231,983	\$ 652,823	\$ 2,961,155
Charges for services	-	-	-	-	-	7,191	596,097
Donations	-	-	-	-	-	-	21,137
Interest income	-	-	-	-	-	10	10
Total revenues	-	-	358,454	62,386	231,983	660,024	3,578,399
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	-	243,500
Public safety	-	-	-	-	-	-	2,204
Public works	-	-	-	62,386	-	62,386	528,533
Recreation and leisure	-	-	-	-	-	-	49,789
Education	-	-	-	-	-	-	2,226,911
Capital outlays	105,726	-	379,111	-	231,983	790,948	790,948
Total expenditures	105,726	-	379,111	62,386	231,983	853,334	3,841,885
Excess (deficiency) of revenues over expenditures	(105,726)	-	(20,657)	-	-	(193,310)	(263,486)
<b>OTHER FINANCING SOURCES</b>							
Transfers in	395,356	-	-	-	-	395,356	395,356
Net change in fund balances	289,630	-	(20,657)	-	-	202,046	131,870
Fund balances - beginning	706,134	5,000	-	-	-	975,412	1,657,978
Fund balances - ending	\$ 995,764	\$ 5,000	\$ (20,657)	\$ -	\$ -	\$ 1,177,458	\$ 1,789,848

See accompanying Independent Auditor's Report.



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**FIDUCIARY FUNDS**

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**TOWN OF MONTVILLE, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2015**

	<b>Student Activities</b>	<b>Performance Bonds</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 265,811	\$ 179,116	\$ 444,927
Investments	32,657	-	32,657
Total assets	<u>\$ 298,468</u>	<u>\$ 179,116</u>	<u>\$ 477,584</u>
<b>LIABILITIES</b>			
Due to student groups	\$ 298,468	\$ -	\$ 298,468
Due to others	-	179,116	179,116
Total liabilities	<u>\$ 298,468</u>	<u>\$ 179,116</u>	<u>\$ 477,584</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2015</u>
<b>Student Activities</b>				
Assets				
Cash and cash equivalents	\$ 262,935	\$ 466,628	\$ 463,752	\$ 265,811
Investments	32,611	46	-	32,657
Total assets	<u>\$ 295,546</u>	<u>\$ 466,674</u>	<u>\$ 463,752</u>	<u>\$ 298,468</u>
Liabilities				
Due to student groups	\$ 295,546	\$ 466,674	\$ 463,752	\$ 298,468
Total liabilities	<u>\$ 295,546</u>	<u>\$ 466,674</u>	<u>\$ 463,752</u>	<u>\$ 298,468</u>
<b>Performance Bonds</b>				
Assets				
Cash and cash equivalents	\$ 92,701	\$ 94,415	\$ 8,000	\$ 179,116
Total assets	<u>\$ 92,701</u>	<u>\$ 94,415</u>	<u>\$ 8,000</u>	<u>\$ 179,116</u>
Liabilities				
Due to others	\$ 92,701	\$ 94,415	\$ 8,000	\$ 179,116
Total liabilities	<u>\$ 92,701</u>	<u>\$ 94,415</u>	<u>\$ 8,000</u>	<u>\$ 179,116</u>
<b>Total All Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 355,636	\$ 561,043	\$ 471,752	\$ 444,927
Investments	32,611	46	-	32,657
Total assets	<u>\$ 388,247</u>	<u>\$ 561,089</u>	<u>\$ 471,752</u>	<u>\$ 477,584</u>
Liabilities				
Due to student groups	\$ 295,546	\$ 466,674	\$ 463,752	\$ 298,468
Due to others	92,701	94,415	8,000	179,116
Total liabilities	<u>\$ 388,247</u>	<u>\$ 561,089</u>	<u>\$ 471,752</u>	<u>\$ 477,584</u>

*See accompanying Independent Auditor's Report.*

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**OTHER SUPPLEMENTARY INFORMATION**

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**Table 1**

**TOWN OF MONTVILLE, CONNECTICUT**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST SIX FISCAL YEARS**  
*(Unaudited)*

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<u>GRAND LIST DATED 10/1</u>	<u>REAL PROPERTY PERCENT</u>	<u>PERSONAL PROPERTY PERCENT</u>	<u>MOTOR VEHICLE PERCENT</u>	<u>GROSS TAXABLE GRAND LIST (1)</u>	<u>LESS EXEMPTIONS (1)</u>	<u>NET TAXABLE GRAND LIST (1)</u>	<u>PERCENT CHANGE %</u>
2013	82.1	7.8	10.1	\$ 1,605,569	\$ 346,271	\$ 1,259,298	0.4%
2012	82.6	7.4	10.0	1,602,427	347,898	1,254,529	-4.1%
2011	79.7	10.5	9.8	1,531,006	222,785	1,308,221	(14.60)
2010	82.9	9.2	7.9	1,745,512	213,719	1,531,793	1.02
2009	83.1	9.2	7.7	1,725,221	208,864	1,516,357	0.29
2008	82.4	9.8	7.8	1,709,810	197,863	1,511,947	-

(1) In thousands

Source: Town of Montville, Office of the Assessor

**TOWN OF MONTVILLE, CONNECTICUT**  
**MAJOR TAXPAYERS**  
**2013 GRAND LIST**  
*(Unaudited)*

NAME OF TAXPAYER	NATURE OF BUSINESS	GRAND LIST AMOUNT (1)	% NET TAXABLE GRAND LIST (2)
Connecticut Light and Power	Utility	\$ 38,379,617	3.06
CSC Montville Commons LP	Retail Shopping Center	12,633,500	1.01
Home Depot USA Inc.	Retail Shopping Center	11,473,228	0.91
Montville Power LLC	Power Generation	11,252,076	0.90
Rand Whitney Containerboard LTD	Paper/Paperboard/Cogeneration	9,361,702	0.75
Rock Tenn CP LLC	Papermill	8,510,564	0.68
Stonestreet Hospitality Realty Co.	Hotel	8,497,910	0.68
Yankee Gas Services	Utilities	5,875,099	0.47
Jensens Inc.	Active Adult Community	5,588,130	0.45
Burkhard Hotel Partners II LLC	Hotel	5,157,336	0.41
		<u>\$ 116,729,162</u>	<u>9.30</u>

(1) Net Taxable Grand List 10/01/14

(2) Net Taxable Grand List 10/01/14 Amount \$1,255,702,744

Source: Town of Montville, Office of the Tax Collector

Table 3

**TOWN OF MONTVILLE, CONNECTICUT**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST SIX FISCAL YEARS**  
*(Unaudited)*

Fiscal Year Ended June 30,	Grand List Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2015	2013	\$ 36,794,710	\$ 35,912,024	97.60%	\$ -	\$ 35,912,024	97.60%
2014	2012	36,173,699	35,271,962	97.51%	260,163	35,532,125	98.23%
2013	2011	38,212,245	36,735,621	96.14%	1,163,707	37,899,328	99.18%
2012	2010	35,089,735	33,078,939	94.27%	1,776,795	34,855,734	99.33%
2011	2009	33,817,048	33,200,666	98.18%	545,912	33,746,578	99.79%
2010	2008	32,227,184	31,558,711	97.93%	640,261	32,198,972	99.91%

**Source:** Town of Montville, Office of the Tax Collector

**Note:** The above information presents the information for each period for which it is levied. A tax levy provides taxes remitted in the following year.

Table 4

**TOWN OF MONTVILLE, CONNECTICUT**  
**RATIOS OF GENERAL BONDED DEBT**  
**LAST SIX FISCAL YEARS**  
*(Unaudited)*

<b>Fiscal Year</b>	<b>Total Bonded Debt</b>	<b>Clean Water Fund Notes</b>	<b>Total Net Bonded Debt</b>	<b>Ration of Net Bonded Debt to Est. Actual Taxable Value<sup>1</sup></b>	<b>Percentage of Personal Income<sup>2</sup></b>	<b>Debt Per Capita<sup>3</sup></b>
<b>Governmental Activities:</b>						
2015	\$ 37,631,200	\$ -	\$ 37,631,200	2.99%	5.23%	1,929
2014	40,650,200	-	40,650,200	3.24%	7.17%	2,084
2013	43,484,200	-	43,484,200	3.32%	7.41%	2,207
2012	46,177,600	-	46,177,600	3.01%	8.68%	2,472
2011	38,197,600	-	38,197,600	2.52%	8.54%	1,910
2010	41,137,600	-	41,137,600	2.72%	9.43%	2,108
<b>Business-type Activities:</b>						
2015	\$ 2,263,800	\$ 245,631	\$ 2,509,431	0.20%	0.35%	129
2014	2,534,800	-	2,534,800	0.20%	0.45%	130
2013	2,745,800	-	2,745,800	0.21%	0.47%	139
2012	2,922,400	-	2,922,400	0.19%	0.55%	156
2011	1,777,400	-	1,777,400	0.12%	0.40%	89
2010	2,022,400	-	2,022,400	0.13%	0.46%	104
<b>Town-wide:</b>						
2015	\$ 39,895,000	\$ 245,631	\$ 40,140,631	3.19%	5.58%	2,057
2014	43,185,000	-	43,185,000	3.44%	7.62%	2,214
2013	46,230,000	-	46,230,000	3.53%	7.88%	2,346
2012	49,100,000	-	49,100,000	3.21%	9.23%	2,628
2011	39,975,000	-	39,975,000	2.64%	8.94%	1,998
2010	43,160,000	-	43,160,000	2.85%	9.89%	2,212

**Source:** Annual Town Financial Statements

- 1** See Table 1 for taxable property value data.
- 2** See Table 5 for population data. These ratios are calculated using personal income.
- 3** See Table 5 for population data. These ratios are calculated using personal income and population.



Table 5

**TOWN OF MONTVILLE, CONNECTICUT**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 LAST FSIX FISCAL YEARS  
*(Unaudited)*

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (000)s</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>Median Age<sup>1</sup></b>	<b>Unemployment Rate<sup>3</sup></b>
2015	19,511	\$ 719,780	\$ 36,891	40	6.0%
2014	19,505	566,640	29,051	42	6.7%
2013	19,703	586,696	29,777	42	8.0%
2012	18,680	532,044	28,482	39	9.0%
2011	20,003	447,207	22,357	38	9.1%
2010	19,516	436,319	22,357	39	9.2%

**Source:** Various Town records

- 1** Connecticut Economic Resource Center, Inc. Annual Town Profile
- 2** State of Connecticut, Department of Economic and Community Development
- 3** State of Connecticut, Labor Department, By Town, Not Seasonally Adjusted

**TOWN OF MONTVILLE, CONNECTICUT**  
**FEDERAL AND STATE SINGLE AUDIT REPORTS**  
**JUNE 30, 2015**

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**INTERNAL CONTROL AND COMPLIANCE REPORT**

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the Town Council  
Town of Montville, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut (the “Town”), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated December 29, 2015.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
December 29, 2015

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**FEDERAL SINGLE AUDIT SECTION**

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**Independent Auditor's Report on Compliance for Each Major Program,  
on Internal Control over Compliance Required by OMB Circular A-133,  
and on the Schedule of Expenditures of Federal Awards**

To the Honorable Mayor and  
Members of the Town Council  
Town of Montville, Connecticut

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Montville, Connecticut's (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

*Opinion on Each Major Federal Program*

In our opinion, the Town of Montville, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



## Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated December 29, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
December 29, 2015

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Grantor; Pass-Through Grantor; Program Title	Grant Number	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed through the State of Connecticut Department of Administrative Services:</b>			
National School Lunch Program - USDA Commodities	-	10.555	\$ 35,736
<b>Passed through the State of Connecticut Department of Education:</b>			
National School Lunch Program - 2015	12060-SDE64370-20560	10.555	321,291
National School Lunch Program - 2014	12060-SDE64370-20560	10.555	54,462
National School Breakfast Program - 2015	12060-SDE64370-20508	10.553	81,069
National School Breakfast Program - 2014	12060-SDE64370-20508	10.553	11,964
<b>Total Department of Agriculture</b>			<u>504,522</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed through the State of Connecticut Department of Education:</b>			
Special Education - Grants to States - 2015	12060-SDE64370-20977	84.027	529,093
Special Education - Grants to States - 2014	12060-SDE64370-20977	84.027	75,055
Special Education - Preschool Grants - 2015	12060-SDE64370-20983	84.173	14,067
Title I - Grants to Local Educational Agencies - 2015	12060-SDE64370-20679	84.010	210,700
Title I - Grants to Local Educational Agencies - 2014	12060-SDE64370-20679	84.010	54,388
Title II - Part A Improving Teacher Quality - 2015	12060-SDE64370-20858	84.367	84,834
Title II - Part A Improving Teacher Quality - 2014	12060-SDE64370-20858	84.367	4,953
Carl D. Perkins Vocational and Applied Technology - 2015	12060-SDE64370-20742	84.048	21,856
Title III - Part A English Language Acquisition - 2015	12060-SDE64370-20868	84.365	16,746
Title III - Part A English Language Acquisition - 2014	12060-SDE64370-20868	84.365	425
			<u>1,012,117</u>
<b>Passed through Three Rivers Community College:</b>			
College Career Pathways Grant	-	84.048	521
<b>Total Department of Education</b>			<u>1,012,638</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed through the State of Connecticut Department of Transportation:</b>			
Alcohol Open Container Requirements	12062-DOT57513-22091	20.607	38,890
National Priority Safety Programs	12062-DOT57513-22600	20.616	8,262
Federal Highway Safety Grants	12062-DOT57513-20559	20.600	7,721
Highway Planning and Construction	12062-DOT57513-22108	20.205	4,310
<b>Total Department of Transportation</b>			<u>59,183</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
<b>Passed through the State of Connecticut Department of Economic Development:</b>			
Brownfields Assessment and Cleanup Cooperative Agreements	12060-ECD46555-21775	66.818	62,386
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ 1,638,729</u>

*The accompanying notes are an integral part of this schedule.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**NOTE A - ACCOUNTING BASIS**

**BASIC FINANCIAL STATEMENTS**

The accounting policies of the Town of Montville, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

**NOTE B - OTHER FEDERAL ASSISTANCE**

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$35,736 is reflected in the expenditures column in the accompanying schedule of expenditures of federal awards and represents the market value of such commodities received during the period.

No other federal assistance was received in the form of loans, loan guarantees or insurance.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

○ Material weakness(es) identified? \_\_\_\_\_ Yes        ✓ No

○ Significant deficiency(ies) identified? \_\_\_\_\_ Yes        ✓ None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        ✓ No

**Federal Awards**

Internal control over major programs:

○ Material weakness(es) identified? \_\_\_\_\_ Yes        ✓ No

○ Significant deficiency(ies) identified? \_\_\_\_\_ Yes        ✓ None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ Yes        ✓ No

Identification of major programs:

CFDA Number	Name of Federal Program
10.555/10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ ✓ Yes \_\_\_\_\_ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No findings are reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs are reported.

**SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS**

No prior audit findings were noted.

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**STATE SINGLE AUDIT SECTION**

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**Independent Auditor’s Report on Compliance for Each Major Program,  
on Internal Control over Compliance Required by the Connecticut State Single Audit Act,  
and on the Schedule of Expenditures of State Financial Assistance**

To the Honorable Mayor and  
Members of the Town Council  
Town of Montville, Connecticut

**Report on Compliance for Each Major State Program**

We have audited the Town of Montville, Connecticut’s (the “Town”) compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town’s major state programs for the year ended June 30, 2015. The Town’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of state findings and questioned costs.

*Management’s Responsibility*

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

*Auditor’s Responsibility*

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

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

*Opinion on Each Major State Program*

In our opinion, the Town of Montville, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of this Report**

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated December 29, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
December 29, 2015

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>State Grantor; Pass-Through Grantor; Program Title</b>	<b>State Grant Program Core - CT Number</b>	<b>Expenditures</b>
<b>NONEXEMPT PROGRAMS</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Payment in Lieu of Taxes on State-owned Property	11000-OPM20600-17004	\$ 1,979,859
Property Tax Relief	11000-OPM20600-17086	345,327
Municipal Grant In-Aid	12052-OPM20600-43587	497,189
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17018	108,060
Municipal Reimbursement and Revenue	12060-OPM20600-35525	41,061
Property Tax Relief for Veterans	11000-OPM20600-17024	9,464
Property Tax Relief for the Totally Disabled	11000-OPM20600-17011	3,276
<b>Total Office of Policy and Management</b>		<u>2,984,236</u>
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Magnet School Transportation	11000-SDE64370-17057	89,700
Adult Education	11000-SDE64370-17030	31,192
Afterschool Program	11000-SDE64370-17084	25,000
Aid to Private Schools - Health Services	11000-SDE64370-17034	24,186
Health Food Initiative	11000-SDE64370-16212	23,935
Youth Services Bureau	11000-SDE64370-17052	18,336
School Breakfast Match	11000-SDE64370-17046	15,818
Child Nutrition Sate Match	11000-SDE64370-16211	11,665
Common Core Grant	11000-SDE64370-12566	10,000
Youth Services Bureau - Enhancement	11000-SDE64370-16201	6,172
<b>Total Department of Education</b>		<u>256,004</u>
<b>DEPARTMENT OF TRANSPORTATION</b>		
<b>Direct:</b>		
Town Aid Road	13033-DOT57131-43459	432,477
Small Town Economic Assistance Program - Chesterfield Sidewalks	12052-DOT57191-40532	231,983
Small Town Economic Assistance Program - Montville Road Bridge	12052-DOT57191-40532	117,401
Local Bridge and Road Program - Montville Road Bridge	13033-DOT57191-43456	236,743
Local Bridge and Road Program - Derry Hill Road	13033-DOT57191-43456	107,147
Bus Operations	12001-DOT57931-12175	75,150
Capital Resurfacing - Related Improvement	13933-DOT57261-41386	8,450
<b>Total Department of Education</b>		<u>1,209,351</u>

*(Continued)*



**TOWN OF MONTVILLE, CONNECTICUT**  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2015

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
<b>NONEXEMPT PROGRAMS <i>(Continued)</i></b>		
<b>DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION</b>		
<b>Direct:</b>		
Clean Water Revenue Bonds	21015-DEP43000-42318	\$ 34,700
Clean Water Fund	21014-DEP43720-40001	7,487
<b>Total Department of Energy and Environmental Protection</b>		<u>42,187</u>
<b>DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION</b>		
<b>Direct:</b>		
Nuclear Emergency Safety Fund	12060-DPS32982-90428	15,424
Nuclear Safety Fund Dominion	12060-DPS32984-30465	13,362
Nuclear Safety Fund CT Yankee	12060-DPS32984-30464	1,162
Drug Asset Forfeiture	12060-DPS32155-35142	1,737
<b>Total Department of Emergency Services and Public Protection</b>		<u>31,685</u>
<b>OFFICE OF THE STATE TREASURER</b>		
<b>Direct:</b>		
Nitrogen Credit Exchange Program	21016-OTT14230-42407	24,695
<b>CONNECTICUT STATE LIBRARY</b>		
<b>Direct:</b>		
Preservation of Historic Documents	12060-CSL66094-35150	5,000
<b>Total State Assistance Before Exempt Programs</b>		<u>4,553,158</u>
<b>EXEMPT PROGRAMS</b>		
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Education Cost Sharing	11000-SDE64370-17041	12,787,949
Public School Transportation	11000-SDE64370-17027	217,881
Special Education: Excess Costs Student Based	11000-SDE64370-17047	214,318
Nonpublic School Transportation	11000-SDE64370-17049	13,433
<b>Total Department of Education</b>		<u>13,233,581</u>
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Mashantucket Pequot Grant	12009-OPM20600-17005	1,068,665
<b>Total Exempt Programs</b>		<u>14,302,246</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ 18,855,404</u>

*The accompanying note is an integral part of this schedule.*

**TOWN OF MONTVILLE, CONNECTICUT**  
**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Montville, Connecticut (the "Town") through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**TOWN OF MONTVILLE, CONNECTICUT**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**I. SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes    ✓ No

**STATE FINANCIAL ASSISTANCE**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? \_\_\_\_\_ Yes    ✓ No

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

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
<b>Office of Policy and Management</b>		
Payment in Lieu of Taxes on State-owned Property	11000-OPM20600-17004	\$ 1,979,859
Property Tax Relief	11000-OPM20600-17086	345,327
<b>Department of Transportation</b>		
Small Town Economic Assistance Program	12052-DOT57191-40532	349,384
Local Bridge and Road Program	13033-DOT57191-43456	343,890

Dollar threshold used to distinguish between Type A and Type B programs: \$200,000

**II. FINANCIAL STATEMENT FINDINGS**

No findings were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No findings were reported.

**SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS**

No prior audit findings were noted.

**TOWN OF MONTVILLE, CONNECTICUT**

**COMMUNICATION OF  
INTERNAL CONTROL RELATED MATTERS**

**JUNE 30, 2015**

To the Town Council and Management of the  
Town of Montville, Connecticut

In connection with our audit of the financial statements of the Town of Montville, Connecticut (the “Town”), as of June 30, 2015 and for the year then ended, auditing standards generally accepted in the United States of America (“US GAAS”) require that we advise management and the Town Council (hereinafter referred to as “those charged with governance”) of internal control matters identified during our audit.

### **Our responsibilities**

Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as “internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we express no such opinion on internal control effectiveness.

### **Identified deficiencies in internal control**

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

Our consideration of the Town’s internal control was for the limited purpose described above and was not designed to identify all deficiencies, significant deficiencies or material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses and significant deficiencies may exist that have not been identified.

During our audit, we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening the Town’s internal controls and operating efficiencies:

## **Current Year Recommendations**

### **Student Activity Fund Document Retention**

During our audit, we noted that two schools within the Town do not retain adequate documentation supporting receipts within the Student Activity Fund.

We recommend that the Board of Education require increased documentation over the receipt process to ensure receipts are deposited timely and recorded for the correct purpose. Documentation should include the following:

- source of funds and purpose of collection; and
- the intended use of the funds (i.e. which student group the funds belong to).

## **Previous Year Recommendation - Not Yet Resolved**

### **Internal Service Fund - Town**

During prior year audit procedures, we noted that the balance of net position within the Internal Service Fund was significant. We recommended that the Town revisit the budgeting process for this fund, as typically internal service funds of this nature are designed to be "break-even" funds.

During the current year audit, we noted that the Internal Service Fund had a decrease to net position of approximately \$619,000. However, even after the fiscal year 2015 loss, net position within this fund remains significantly higher than would be expected.

We recommend that management continue to revisit the budgeting process for this fund, and document how the net position will be utilized over time (return the funds to the applicable departments, reserve amounts for potential increases in health insurance premiums, or other possible uses). Further, we recommend that the Town Council develop a policy to address any net position maintained in this fund. This policy should include minimum and maximum net position requirements within this fund, as well as provide guidance on the handling of any excess or deficit balances.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

We appreciate the courtesies extended to us by the management and staff of the Town, and would be happy to discuss the above matters further at your request.

This communication is intended solely for the information and use of the Town Council and management of the Town, the Office of Policy and Management, and federal and state awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mahoney Sabol + Company, LLP*

Glastonbury, Connecticut  
December 29, 2015