

TOWN OF MONTVILLE, CONNECTICUT

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

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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, 2016, 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, 2016, 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.

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 post-retirement 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 87, and the other supplementary information on pages 88 through 92 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 8, 2016, 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 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$131,829,728 (net position). Of this amount, \$20,968,754 represents unrestricted net position. Of this amount, \$9,603,839 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 \$3,501,541 during the current fiscal year, which consisted of a current year increase of \$3,112,940 relating to the Town's governmental activities and \$388,601 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 \$10,910,751, a current year decrease of \$424,275 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$8,856,301 or 13.9% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.7 months of General Fund operating expenditures.
- The Town issued \$5,849,000 in general obligation refunding bonds in November 2015. These bonds were used to retire \$5,520,000 of previously issued bonds and will result in cash flow savings of \$296,426.
- Overall Town debt, consisting of bonds, notes and capital leases payable, decreased \$2,688,295 or 6.7% in comparison to the prior year. This decrease was a result of approximately \$3.3 million in repayments, offset by a new capital lease for the purchase of a fire truck in the amount of approximately \$505 thousand.

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 92 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 \$131,829,728 and \$128,328,187 as of June 30, 2016 and 2015 and are summarized as follows:

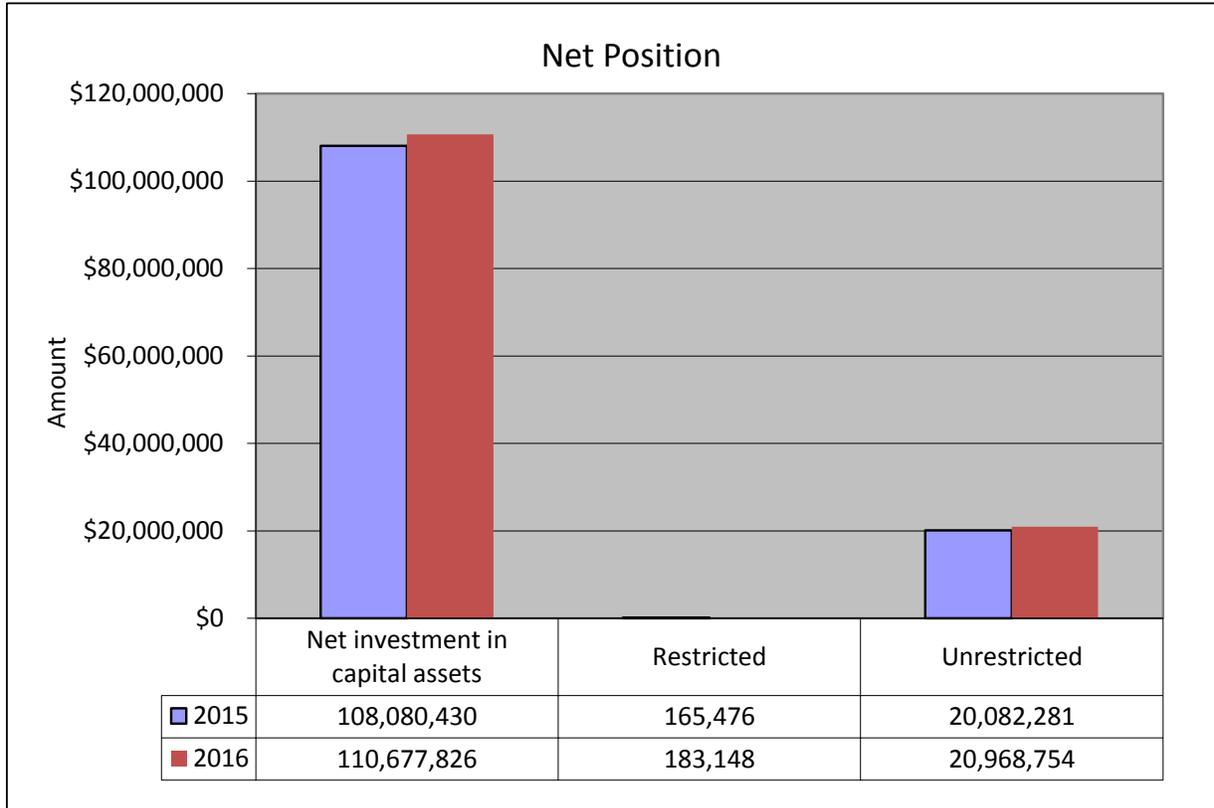
	June 30, 2016		
	Governmental	Business-type	Total
	Activities	Activities	
Current and other assets	\$ 21,316,573	\$ 10,644,496	\$ 31,961,069
Capital assets	96,012,574	53,584,477	149,597,051
Total assets	117,329,147	64,228,973	181,558,120
Deferred outflows of resources	1,913,186	71,805	1,984,991
Other liabilities	2,340,161	587,879	2,928,040
Long-term liabilities	44,800,057	3,985,286	48,785,343
Total liabilities	47,140,218	4,573,165	51,713,383
Net position			
Net investment in capital assets	60,554,052	50,123,774	110,677,826
Restricted	183,148	-	183,148
Unrestricted	11,364,915	9,603,839	20,968,754
Total net position	\$ 72,102,115	\$ 59,727,613	\$ 131,829,728

	June 30, 2015		
	Governmental	Business-type	Total
	Activities	Activities	
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	118,360,805	64,065,177	182,425,982
Deferred outflows of resources	1,321,782	43,739	1,365,521
Other liabilities	3,303,954	273,427	3,577,381
Long-term liabilities	45,907,702	4,419,834	50,327,536
Total liabilities	49,211,656	4,693,261	53,904,917
Deferred inflows of resources	1,481,756	76,643	1,558,399
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	\$ 68,989,175	\$ 59,339,012	\$ 128,328,187

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



As of June 30, 2016, 84.0% 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 \$3,501,541 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, 2016 and 2015 are as follows:

	June 30, 2016		
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 3,138,512	\$ 6,996,086	\$ 10,134,598
Operating grants and contributions	20,823,399	115,413	20,938,812
Capital grants and contributions	1,145,360	-	1,145,360
General revenues:			
Property taxes, levied for general purposes	38,427,002	-	38,427,002
Grants and contributions not restricted to specific programs	3,858,253	-	3,858,253
Income from investments	51,574	27,571	79,145
Total revenues	<u>67,444,100</u>	<u>7,139,070</u>	<u>74,583,170</u>
Expenses			
General government	6,459,127	-	6,459,127
Public safety	4,451,657	-	4,451,657
Public works	4,679,155	-	4,679,155
Health and welfare	410,404	-	410,404
Recreation and leisure	368,526	-	368,526
Education	46,787,552	-	46,787,552
Interest on long-term debt	1,185,739	-	1,185,739
Sewer department	-	5,272,201	5,272,201
Water department	-	1,467,268	1,467,268
Total expenses	<u>64,342,160</u>	<u>6,739,469</u>	<u>71,081,629</u>
Change in net position before transfers	3,101,940	399,601	3,501,541
Transfers	11,000	(11,000)	-
Change in net position	<u>\$ 3,112,940</u>	<u>\$ 388,601</u>	<u>\$ 3,501,541</u>

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

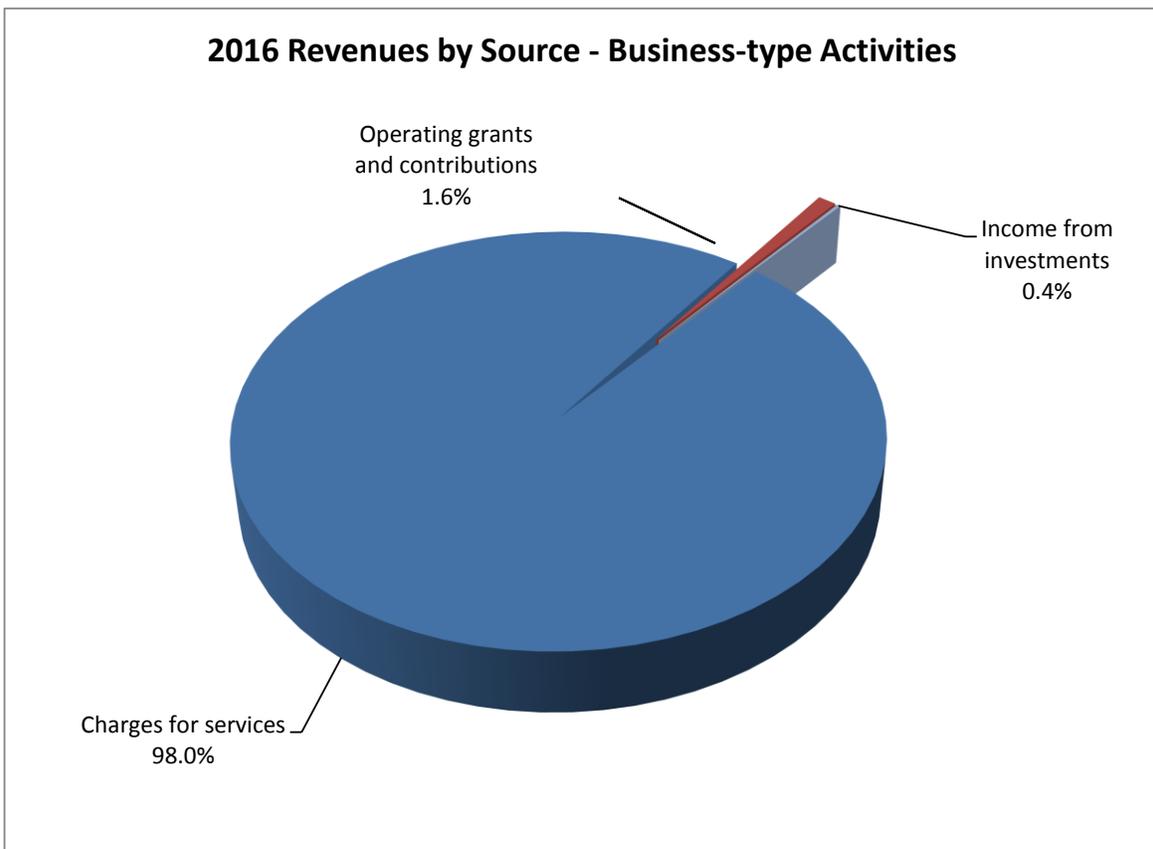
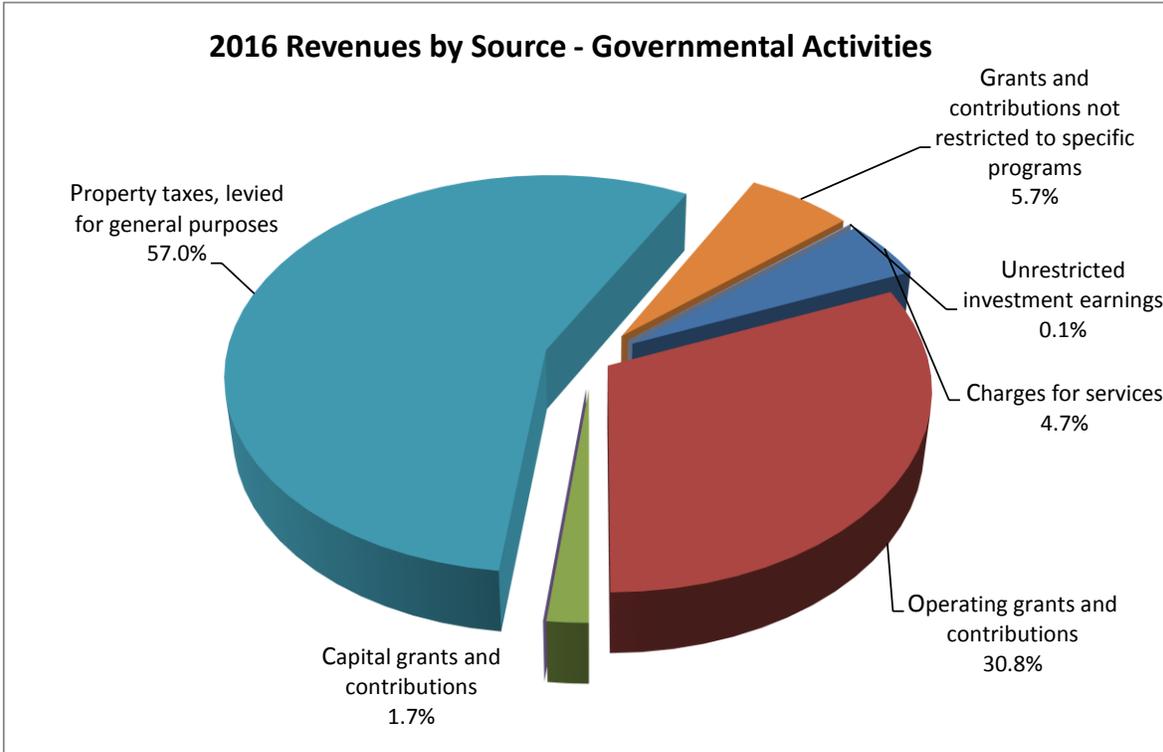
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)

	June 30, 2015		
	Governmental Activities	Business-type Activities	Total
Revenues			
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	66,856,138	7,184,169	74,040,307
Expenses			
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	62,967,654	6,738,140	69,705,794
Change in net position before transfers	3,888,484	446,029	4,334,513
Transfers	10,000	(10,000)	-
Change in net position	\$ 3,898,484	\$ 436,029	\$ 4,334,513

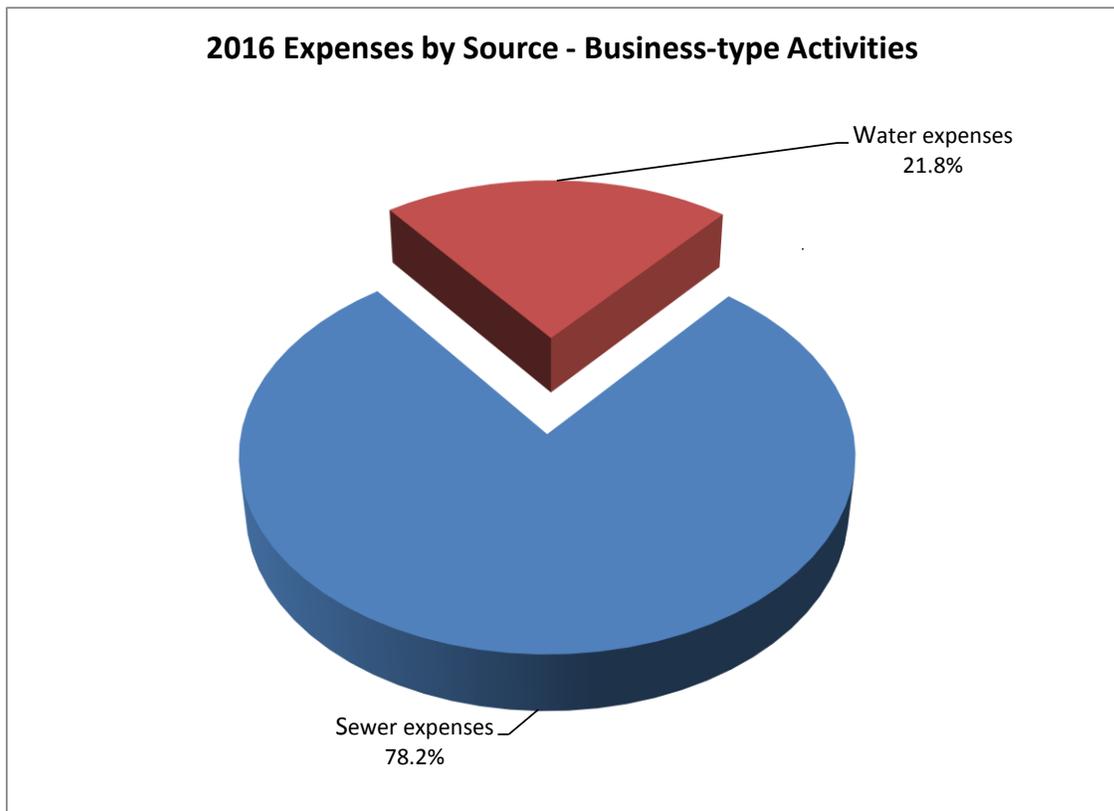
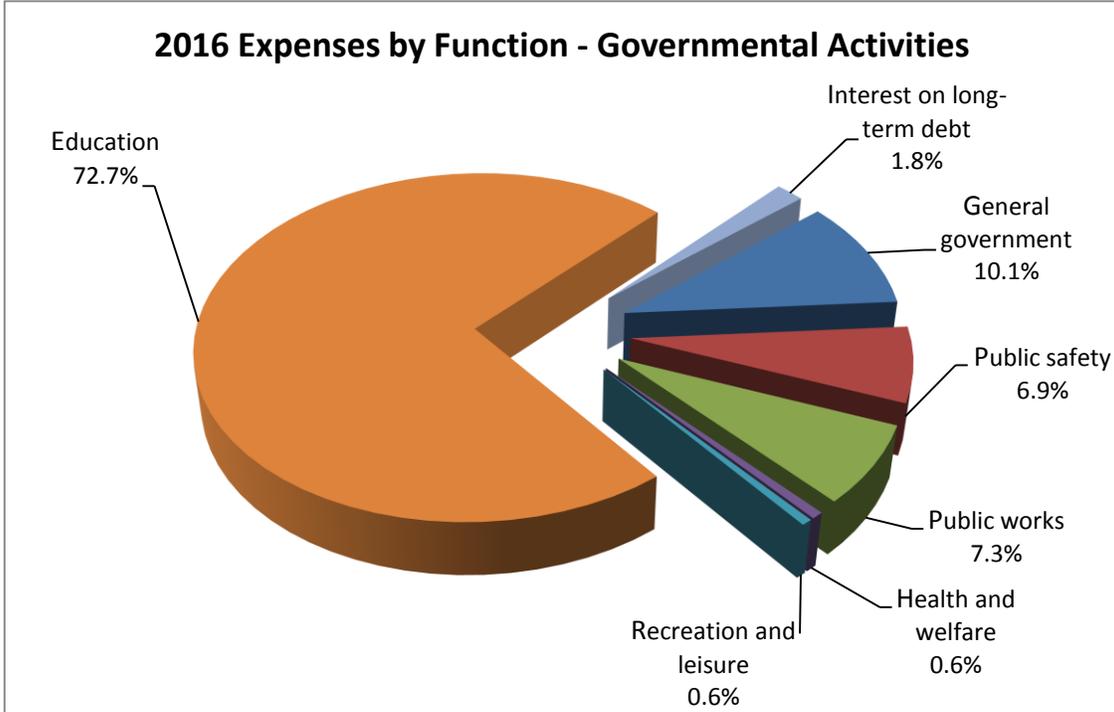
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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)*

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 \$3,112,940. This increase is mainly attributable to the current year fund activity, less the capital asset and debt activity for the current year. Current year revenues increased \$587,962 in comparison to the prior year, mainly due to an increase in tax revenue caused from an increase in the Town's mill rate. Expenses increased approximately \$1.3 million in comparison to the prior year due to increases in the public safety, public works and education functions based on current year changes in net pension and OPEB liabilities.

Business-type Activities

Business-type activities increased the Town's net position by a current year change of \$388,601. The current year increase was caused by the excess of revenues over operating expenditures. Revenue decreased by \$45,099 in comparison to the prior year. Expenses increased by \$1,329 in comparison to the prior year.

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 \$10,910,571.

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 \$8,856,301. 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 13.9% of total General Fund expenditures. 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 decreased by \$539,330 during the current fiscal year, which was primarily due to the current year budgetary results offset by the expenditure of encumbrances in the amount of approximately \$686 thousand.

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)*

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$486,711. Expenditures were \$661,593 less than budgeted and total budgetary revenues were \$153,201 less than expected due primarily to unfavorable tax collections in the current year. During the year ended June 30, 2016, the Town Council approved additional appropriations of \$150,000 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, 2016 totaled \$149,597,051 (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 \$570,677 or 0.4%. This decrease consisted primarily of capital asset additions of approximately \$3.4 million, offset by depreciation expense of approximately \$3.9 million. Major capital asset events during the current fiscal year included the following:

- Outlays for Old Colchester road in the amount of \$109,282
- Outlays for Montville Road Bridge totaling \$247,453
- Outlays for Fitch Hill and Blais drainage totaling \$171,998
- Purchase of a fire truck through capital lease financing in the amount of \$545,250
- Purchase of four police vehicles totaling \$136,874
- Purchase of five public works vehicles totaling \$307,088
- Contribution of Rebecca and David Road valued at \$341,160
- Outlays for WPCA anaerobic construction project totaling \$91,609
- Outlays for eight school buses for the Board of Education totaling \$639,550

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

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, 2016

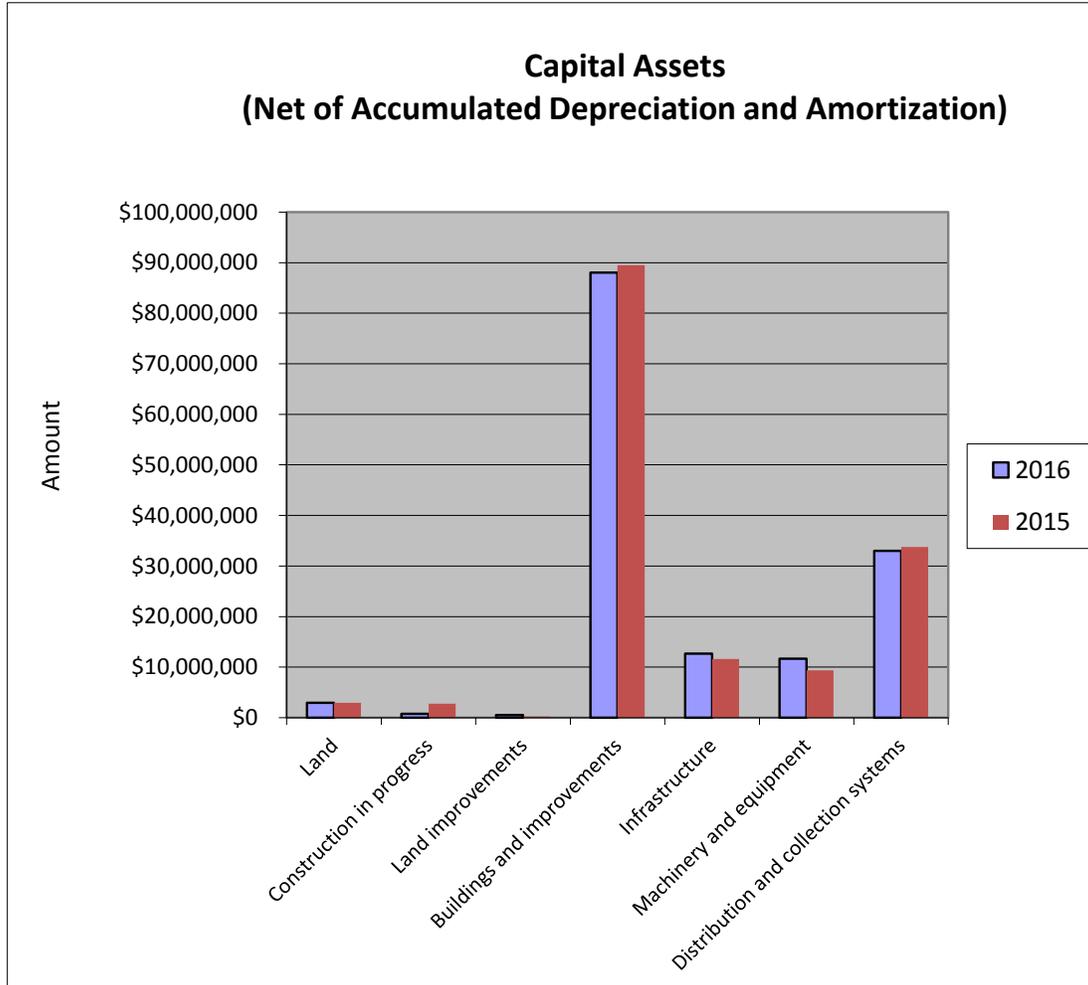
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,808,873	\$ 1,127,031	\$ 2,935,904
Construction in progress	652,063	91,609	743,672
Land improvements	531,914	-	531,914
Buildings and improvements	75,389,574	12,649,152	88,038,726
Infrastructure	12,669,488	-	12,669,488
Machinery and equipment	4,960,662	6,726,836	11,687,498
Distribution and collection systems	-	32,989,849	32,989,849
Totals	<u>\$ 96,012,574</u>	<u>\$53,584,477</u>	<u>\$149,597,051</u>

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	11,621,245	-	11,621,245
Machinery and equipment	4,032,305	5,316,780	9,349,085
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>

CAPITAL ASSETS AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*



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

Long-term Debt

At the end of the current fiscal year, the Town had total debt, consisting of bonds, notes and capital leases payable, outstanding of \$37,725,185. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$2,688,295 or 6.7% during the current fiscal year primarily due to scheduled repayments of approximately \$3.3 million offset by a new capital lease for the purchase of a fire truck in the amount of approximately \$505 thousand.

The Town issued \$5,849,000 in general obligation refunding bonds in November 2015. These bonds were used to retire \$5,520,000 of previously issued bonds and will result in a cash flow savings of \$296,426.

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 \$266,558,012, 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)*

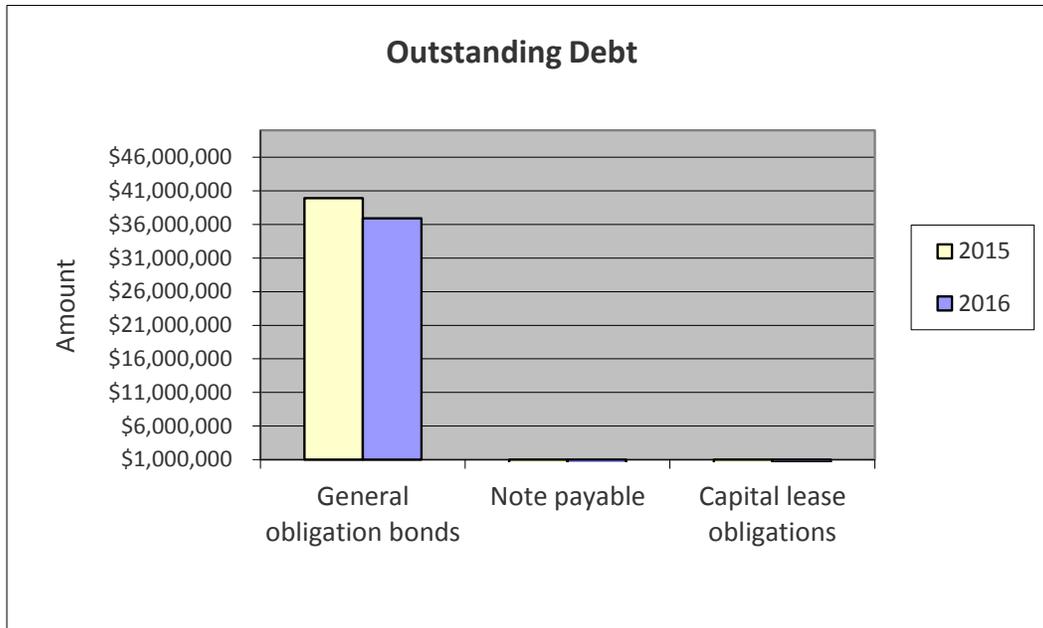
The following are tables of long-term bonded debt:

Town of Montville, Connecticut
Long-term Debt
June 30, 2016

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 34,937,500	\$ 1,966,500	\$36,904,000
Note payable	-	224,008	224,008
Capital lease obligations	529,072	68,105	597,177
Totals	<u>\$ 35,466,572</u>	<u>\$ 2,258,613</u>	<u>\$37,725,185</u>

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>



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

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

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 as of June 30, 2016 was 5.9% compared to the state's average unemployment rate of 5.9% and the national unemployment rate of 5.1%.
- Unassigned fund balance of the General Fund totaled \$8,856,301 at June 30, 2016.
- 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 2017, 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 2017. The Town's fiscal year 2017 General Fund budget was approved on June 7, 2016. The fiscal year 2017 budget contemplated expenditures of \$58,928,228, an increase of \$642,248, or 1.1%, over the original fiscal year 2016 budgeted expenditures. The approved mill rate for the fiscal year 2017 budget is 30.61, an increase of 0.52, or 1.7% over the fiscal year 2016 mill rate of 30.09. No use of fund balance was designated for balancing the fiscal year 2017 budget.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 16,613,940	\$ 6,531,499	\$ 23,145,439
Investments	-	2,119,266	2,119,266
Receivables:			
Property taxes, net	2,225,594	-	2,225,594
Interest on property taxes, net	856,667	-	856,667
Assessments and user charges receivable, net	55,377	1,327,425	1,382,802
Connection fees	-	218,261	218,261
Intergovernmental	181,606	91,609	273,215
Other	68,848	48,338	117,186
Other assets	151,290	-	151,290
Noncurrent assets:			
Receivables:			
Connection fees	-	218,277	218,277
Intergovernmental	1,163,251	-	1,163,251
Other	-	89,821	89,821
Capital assets:			
Non-depreciable	2,460,936	1,218,640	3,679,576
Depreciable, net	93,551,638	52,365,837	145,917,475
Total assets	<u>117,329,147</u>	<u>64,228,973</u>	<u>181,558,120</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,447,563	39,539	1,487,102
Deferred charges on pension	465,623	32,266	497,889
	<u>1,913,186</u>	<u>71,805</u>	<u>1,984,991</u>
LIABILITIES			
Accounts payable	760,497	545,926	1,306,423
Accrued liabilities:			
Salaries and benefits payable	238,757	12,709	251,466
Accrued interest	457,553	29,244	486,797
Claims payable	486,000	-	486,000
Unearned revenue	397,354	-	397,354
Noncurrent liabilities:			
Due within one year	4,005,833	606,452	4,612,285
Due in more than one year	40,794,224	3,378,834	44,173,058
Total liabilities	<u>47,140,218</u>	<u>4,573,165</u>	<u>51,713,383</u>
NET POSITION			
Net investment in capital assets	60,554,052	50,123,774	110,677,826
Restricted for:			
Grants and donor restrictions	183,148	-	183,148
Unrestricted	11,364,915	9,603,839	20,968,754
Total net position	<u>\$ 72,102,115</u>	<u>\$ 59,727,613</u>	<u>\$ 131,829,728</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, 2016

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
Primary Government:							
Governmental activities:							
General government	\$ 6,459,127	\$ 788,636	\$ 606,952	\$ -	\$ (5,063,539)	\$ -	\$ (5,063,539)
Public safety	4,451,657	429,350	52,927	19,225	(3,950,155)	-	(3,950,155)
Public works	4,679,155	583,325	117,368	1,126,135	(2,852,327)	-	(2,852,327)
Health and welfare	410,404	66,787	128,083	-	(215,534)	-	(215,534)
Recreation and leisure	368,526	232,808	20,082	-	(115,636)	-	(115,636)
Education	46,787,552	1,037,606	19,897,987	-	(25,851,959)	-	(25,851,959)
Interest on long-term debt	1,185,739	-	-	-	(1,185,739)	-	(1,185,739)
Total governmental activities	<u>64,342,160</u>	<u>3,138,512</u>	<u>20,823,399</u>	<u>1,145,360</u>	<u>(39,234,889)</u>	<u>-</u>	<u>(39,234,889)</u>
Business-type activities:							
Sewer department	5,272,201	5,522,356	115,413	-	-	365,568	365,568
Water department	1,467,268	1,473,730	-	-	-	6,462	6,462
	<u>6,739,469</u>	<u>6,996,086</u>	<u>115,413</u>	<u>-</u>	<u>-</u>	<u>372,030</u>	<u>372,030</u>
Total primary government	<u>\$ 71,081,629</u>	<u>\$ 10,134,598</u>	<u>\$ 20,938,812</u>	<u>\$ 1,145,360</u>	<u>(39,234,889)</u>	<u>372,030</u>	<u>(38,862,859)</u>
General revenues:							
Property taxes, levied for general purposes					38,427,002	-	38,427,002
Grants and contributions not restricted to specific programs					3,858,253	-	3,858,253
Income from investments					51,574	27,571	79,145
Total general revenues					<u>42,336,829</u>	<u>27,571</u>	<u>42,364,400</u>
Transfers					11,000	(11,000)	-
Total general revenues and transfers					<u>42,347,829</u>	<u>16,571</u>	<u>42,364,400</u>
					<u>3,112,940</u>	<u>388,601</u>	<u>3,501,541</u>
					<u>68,989,175</u>	<u>59,339,012</u>	<u>128,328,187</u>
					<u>\$ 72,102,115</u>	<u>\$ 59,727,613</u>	<u>\$ 131,829,728</u>

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

TOWN OF MONTVILLE, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Bonded Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 11,467,354	\$ -	\$ 318,322	\$ 11,785,676
Receivables:				
Property taxes, net	2,225,594	-	-	2,225,594
Interest on property taxes, net	856,667	-	-	856,667
Assessments and interest	55,377	-	-	55,377
Intergovernmental	-	1,163,251	181,606	1,344,857
Other	68,231	-	617	68,848
Due from other funds	973,047	-	1,767,843	2,740,890
Other assets	125,836	-	25,454	151,290
Total assets	<u>\$ 15,772,106</u>	<u>\$ 1,163,251</u>	<u>\$ 2,293,842</u>	<u>\$ 19,229,199</u>
LIABILITIES				
Accounts payable	\$ 685,774	\$ -	\$ 63,845	\$ 749,619
Accrued liabilities:				
Salaries and benefits payable	234,697	-	4,060	238,757
Due to funding source	-	-	10,878	10,878
Due to other funds	1,767,843	966,201	6,846	2,740,890
Unearned revenue	94,044	-	303,310	397,354
Total liabilities	<u>2,782,358</u>	<u>966,201</u>	<u>388,939</u>	<u>4,137,498</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes and interest	2,962,322	-	-	2,962,322
Unavailable revenue - assessments and interest	55,377	-	-	55,377
Unavailable revenue - school construction grant	-	1,163,251	-	1,163,251
Total deferred inflows of resources	<u>3,017,699</u>	<u>1,163,251</u>	<u>-</u>	<u>4,180,950</u>
FUND BALANCES				
Nonspendable	125,836	-	25,454	151,290
Restricted	56,094	-	127,054	183,148
Committed	188,197	-	1,752,395	1,940,592
Assigned	745,621	-	-	745,621
Unassigned	8,856,301	(966,201)	-	7,890,100
Total fund balances	<u>9,972,049</u>	<u>(966,201)</u>	<u>1,904,903</u>	<u>10,910,751</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,772,106</u>	<u>\$ 1,163,251</u>	<u>\$ 2,293,842</u>	<u>\$ 19,229,199</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, 2016

Total fund balance for governmental funds		\$ 10,910,751
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	\$ 1,808,873	
Construction in progress	652,063	
Land improvements	1,294,581	
Buildings and improvements	93,657,553	
Machinery and equipment	13,777,356	
Infrastructure	20,470,955	
Less accumulated depreciation and amortization	<u>(35,648,807)</u>	
Total capital assets, net		96,012,574
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.		
		4,180,950
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	(457,553)	
Long-term debt:		
Bonds payable, net	(36,377,013)	
Deferred charge on refunding	1,447,563	
Other long-term liabilities:		
Capital lease obligations	(529,072)	
Landfill post-closure	(152,000)	
Early retirement incentive	(60,294)	
Compensated absences	(1,498,939)	
Net pension liability	(6,141,156)	
Net OPEB obligation	<u>(41,583)</u>	
Total long-term liabilities		(43,810,047)
Deferred inflows of resources resulting from changes in the components of the net pension liability are reported in the statements of net position.		
		465,623
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.		
		<u>4,342,264</u>
Net position of governmental activities		<u>\$ 72,102,115</u>

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, 2016

	General Fund	Bonded Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 38,055,026	\$ -	\$ -	\$ 38,055,026
Assessments	18,666	-	-	18,666
Intergovernmental	17,607,815	-	2,580,007	20,187,822
State on-behalf payments	4,575,345	-	-	4,575,345
Charges for goods and services	2,432,442	-	620,647	3,053,089
Contributions	201,135	-	21,551	222,686
Investment income	41,045	-	-	41,045
Total revenues	<u>62,931,474</u>	<u>-</u>	<u>3,222,205</u>	<u>66,153,679</u>
EXPENDITURES				
Current:				
General government	6,222,840	-	34,452	6,257,292
Public safety	4,145,582	-	669	4,146,251
Public works	3,709,035	-	272,392	3,981,427
Health and welfare	223,065	-	201,797	424,862
Recreation and leisure	272,439	-	65,655	338,094
Miscellaneous	59,300	-	-	59,300
State on-behalf payments	4,575,345	-	-	4,575,345
Education	38,013,783	-	2,144,422	40,158,205
Debt service:				
Principal payments	3,090,856	-	-	3,090,856
Interest and fiscal charges	1,222,577	-	-	1,222,577
Capital outlays	2,228,562	-	677,354	2,905,916
Total expenditures	<u>63,763,384</u>	<u>-</u>	<u>3,396,741</u>	<u>67,160,125</u>
Excess (deficiency) of revenues over expenditures	(831,910)	-	(174,536)	(1,006,446)
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	5,849,000	-	-	5,849,000
Payment to refunding bond escrow agent	(5,783,171)	-	-	(5,783,171)
Capital lease financing	505,342	-	-	505,342
Transfers in	99,517	-	378,108	477,625
Transfers out	(378,108)	-	(88,517)	(466,625)
Total other financing sources (uses)	<u>292,580</u>	<u>-</u>	<u>289,591</u>	<u>582,171</u>
Net change in fund balances	(539,330)	-	115,055	(424,275)
Fund balances - beginning	<u>10,511,379</u>	<u>(966,201)</u>	<u>1,789,848</u>	<u>11,335,026</u>
Fund balances - ending	<u>\$ 9,972,049</u>	<u>\$ (966,201)</u>	<u>\$ 1,904,903</u>	<u>\$ 10,910,751</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, 2016

Net change in fund balances - total governmental funds \$ (424,275)

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

Expenditures for capital assets	\$	2,910,761	
Depreciation and amortization expense		<u>(2,298,156)</u>	
Net adjustment			612,605

In the statement of activities, only the gain (loss) on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds. (19,922)

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		(505,342)	
Refunding bonds issued		(5,849,000)	
Principal repayments:			
Bonds and note payable		8,542,700	
Capital lease obligations		<u>114,099</u>	
Net adjustment			2,302,457

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		48,616	
Deferred charge on refunding		125,781	
Unamortized bond premium		125,612	
Landfill post-closure		19,000	
Early retirement incentive		57,743	
Compensated absences		(7,166)	
Net pension liability		(1,390,097)	
Net OPEB obligation		<u>96</u>	
			(1,020,415)

(Continued)

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 *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2016

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.	\$ 1,947,379
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.	361,664
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>(646,553)</u>
Change in net position of governmental activities	<u>\$ 3,112,940</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, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Property taxes	\$ 38,389,608	\$ 38,389,608	\$ 38,055,026	\$ (334,582)
Intergovernmental	17,525,452	17,525,452	17,547,341	21,889
Charges for services	2,305,920	2,305,920	2,460,701	154,781
Use of town money	55,000	55,000	59,711	4,711
Total revenues	<u>58,275,980</u>	<u>58,275,980</u>	<u>58,122,779</u>	<u>(153,201)</u>
EXPENDITURES				
Current:				
General government	6,575,995	6,511,522	6,121,357	(390,165)
Public safety	4,191,949	4,223,949	4,188,476	(35,473)
Public works	3,883,536	3,892,586	3,726,632	(165,954)
Health and welfare	181,441	181,441	180,758	(683)
Social services	39,290	39,290	31,947	(7,343)
Recreation and leisure	272,391	276,409	272,569	(3,840)
Miscellaneous	61,800	61,800	59,300	(2,500)
Education	37,598,668	37,598,668	37,573,071	(25,597)
Capital outlays	1,169,619	1,354,619	1,341,218	(13,401)
Debt service:				
Principal payments	3,091,907	3,091,907	3,090,856	(1,051)
Interest and fiscal charges	1,219,384	1,172,334	1,156,748	(15,586)
Total expenditures	<u>58,285,980</u>	<u>58,404,525</u>	<u>57,742,932</u>	<u>(661,593)</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(128,545)	379,847	508,392
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	99,517	89,517
Transfers out	-	(31,455)	(31,455)	-
Cancellation of prior year encumbrances	-	-	38,802	38,802
Appropriation of fund balance	-	150,000	-	(150,000)
Total other financing sources (uses)	<u>10,000</u>	<u>128,545</u>	<u>106,864</u>	<u>(21,681)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,711</u>	<u>\$ 486,711</u>
Fund balance - beginning			<u>8,491,941</u>	
Fund balance - ending			<u>\$ 8,978,652</u>	

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,556,724	\$ 974,775	\$ 6,531,499	\$ 4,828,264
Investments	2,018,512	100,754	2,119,266	-
Receivables:				
User charges, net	1,113,122	214,303	1,327,425	-
Connection fees	-	218,261	218,261	-
Intergovernmental	91,609	-	91,609	-
Other	48,338	-	48,338	-
Due from other funds	-	3,285	3,285	-
Total current assets	<u>8,828,305</u>	<u>1,511,378</u>	<u>10,339,683</u>	<u>4,828,264</u>
Noncurrent assets:				
Receivables:				
Connection fees	-	218,277	218,277	-
Other	89,821	-	89,821	-
Capital assets:				
Non-depreciable	1,178,340	40,300	1,218,640	-
Depreciable, net	41,226,234	11,139,603	52,365,837	-
Total noncurrent assets	<u>42,494,395</u>	<u>11,398,180</u>	<u>53,892,575</u>	<u>-</u>
Total assets	<u>51,322,700</u>	<u>12,909,558</u>	<u>64,232,258</u>	<u>4,828,264</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	39,539	-	39,539	-
Deferred inflow on pension benefits	32,266	-	32,266	-
	<u>71,805</u>	<u>-</u>	<u>71,805</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	341,541	204,385	545,926	-
Accrued liabilities:				
Salaries and benefits payable	12,709	-	12,709	-
Accrued interest	29,244	-	29,244	-
Claims payable	-	-	-	486,000
Due to other funds	3,285	-	3,285	-
Total current liabilities	<u>386,779</u>	<u>204,385</u>	<u>591,164</u>	<u>486,000</u>
Non-current liabilities:				
Due within one year	388,191	218,261	606,452	-
Due in more than one year	2,439,373	939,461	3,378,834	-
Total non-current liabilities	<u>2,827,564</u>	<u>1,157,722</u>	<u>3,985,286</u>	<u>-</u>
Total liabilities	<u>3,214,343</u>	<u>1,362,107</u>	<u>4,576,450</u>	<u>486,000</u>
NET POSITION				
Net investment in capital assets	40,101,593	10,022,181	50,123,774	-
Unrestricted	8,078,569	1,525,270	9,603,839	4,342,264
Total net position	<u>\$ 48,180,162</u>	<u>\$ 11,547,451</u>	<u>\$ 59,727,613</u>	<u>\$ 4,342,264</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, 2016

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
OPERATING REVENUES				
Charges for services and premiums	\$ 5,522,356	\$ 1,473,730	\$ 6,996,086	\$ 6,301,912
Intergovernmental	115,413	-	115,413	-
Total operating revenues	<u>5,637,769</u>	<u>1,473,730</u>	<u>7,111,499</u>	<u>6,301,912</u>
OPERATING EXPENSES				
Personnel services	753,098	50,493	803,591	-
Supplies and administration	1,231,970	1,051,950	2,283,920	-
Maintenance	550,051	8,916	558,967	-
Energy and transportation	896,713	36,106	932,819	-
Insurance and taxes	416,702	24,619	441,321	-
Claims incurred	-	-	-	6,162,453
Administration	-	-	-	796,541
Depreciation	1,343,492	295,184	1,638,676	-
Total operating expenses	<u>5,192,026</u>	<u>1,467,268</u>	<u>6,659,294</u>	<u>6,958,994</u>
Operating income (loss)	445,743	6,462	452,205	(657,082)
NON-OPERATING INCOME (EXPENSE)				
Interest income	25,501	2,070	27,571	10,529
Interest expense	(80,175)	-	(80,175)	-
Total non-operating income (expense)	<u>(54,674)</u>	<u>2,070</u>	<u>(52,604)</u>	<u>10,529</u>
Changes in net position before transfers	391,069	8,532	399,601	(646,553)
Transfer out	(11,000)	-	(11,000)	-
Changes in net position	<u>380,069</u>	<u>8,532</u>	<u>388,601</u>	<u>(646,553)</u>
Net position - beginning	<u>47,800,093</u>	<u>11,538,919</u>	<u>59,339,012</u>	<u>4,988,817</u>
Net position - ending	<u>\$ 48,180,162</u>	<u>\$ 11,547,451</u>	<u>\$ 59,727,613</u>	<u>\$ 4,342,264</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, 2016

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for the following:				
Customers and users	\$ 5,635,151	\$ 1,426,094	\$ 7,061,245	\$ 6,301,912
Intergovernmental	115,413	-	115,413	-
Cash paid for the following:				
Personnel services	(594,412)	(53,778)	(648,190)	-
Supplies and administration	(1,006,681)	(964,863)	(1,971,544)	(796,541)
Maintenance	(550,051)	(8,916)	(558,967)	-
Energy and transportation	(896,713)	(36,106)	(932,819)	-
Insurance and taxes	(490,257)	(24,619)	(514,876)	-
Benefits and claims	-	-	-	(6,187,457)
Net cash provided by (used in) operating activities	<u>2,212,450</u>	<u>337,812</u>	<u>2,550,262</u>	<u>(682,086)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash transfers related to interfund activity	(11,000)	-	(11,000)	-
Net cash used in noncapital financing activities	<u>(11,000)</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(471,010)	(80,601)	(551,611)	-
Payments collected on long-term receivables	50,623	218,263	268,886	-
Interest paid on capital debt	(90,102)	-	(90,102)	-
Principal paid on capital debt	(385,837)	(223,263)	(609,100)	-
Net cash used in capital and related financing activities	<u>(896,326)</u>	<u>(85,601)</u>	<u>(981,927)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(1,410,063)	(100,754)	(1,510,817)	-
Interest income	22,830	2,070	24,900	10,529
Net cash provided by (used in) investing activities	<u>(1,387,233)</u>	<u>(98,684)</u>	<u>(1,485,917)</u>	<u>10,529</u>
Net increase (decrease) in cash and cash equivalents	(82,109)	153,527	71,418	(671,557)
Cash and cash equivalents, beginning of year	<u>5,638,833</u>	<u>821,248</u>	<u>6,460,081</u>	<u>5,499,821</u>
Cash and cash equivalents, end of year	<u>\$ 5,556,724</u>	<u>\$ 974,775</u>	<u>\$ 6,531,499</u>	<u>\$ 4,828,264</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 445,743	\$ 6,462	\$ 452,205	\$ (657,082)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,343,492	295,184	1,638,676	-
Changes in assets and liabilities:				
Decrease (increase) in user charges receivable	112,795	(47,636)	65,159	-
Increase in accounts payable	217,148	87,087	304,235	-
Increase in accrued liabilities	2,076	-	2,076	-
Decrease in compensated absences	(1,884)	-	(1,884)	-
Decrease (increase) in due from other funds	12,030	(3,285)	8,745	-
Increase in net pension liability and deferred outflows/inflows	81,050	-	81,050	(25,004)
Net cash provided by (used in) operating activities	<u>\$ 2,212,450</u>	<u>\$ 337,812</u>	<u>\$ 2,550,262</u>	<u>\$ (682,086)</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, 2016

	Private Purpose Trust Fund - School Scholarships	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 109,496	\$ 429,196
Investments:		
Certificates of deposit	84,533	32,557
Mutual funds	240,963	-
Total assets	434,992	\$ 461,753
LIABILITIES		
Due to student groups	-	316,632
Due to others	-	145,121
Total liabilities	-	\$ 461,753
NET POSITION		
Held in trust for scholarship benefits	\$ 434,992	

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, 2016

	Private Purpose Trust Fund - School Scholarships
ADDITIONS	
Contributions:	
Private donations	\$ 2,558
Total contributions	2,558
Investment earnings:	
Interest	10,207
Net decrease in the fair value of investments	(13,189)
Total investment losses	(2,982)
Total additions	(424)
DEDUCTIONS	
Awards expense	10,945
Administrative expenses	150
Total deductions	11,095
Change in net position	(11,519)
Net position - beginning	446,511
Net position - ending	\$ 434,992

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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, 2016

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 available to be 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, 2016

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

Implementation of Accounting Standards

Effective July 1, 2015, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB 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*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and certain provisions of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of these statements did not have a material effect on the Town's financial statements

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 are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools as described below.

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the pool.

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 \$216,000 and 148,000, respectively, as of June 30, 2016.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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

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

Property Taxes, Sewer Assessment and Usage Charges *(Continued)*

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 \$396,000 and \$7,500, respectively, as of June 30, 2016.

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

This liability represents resources that have been received but not yet earned.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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

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

Deferred Inflows/Outflows of Resources

Deferred outflows and inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources until that time.

Deferred outflows of resources consists of deferred charges on refundings reported in the government-wide statement of net position. Deferred charges on refundings are amortized to interest expense using the effective-interest method over the life of the related bonds.

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting and deferred pension benefits. Unavailable revenue is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available. Deferred pension benefits are reported in the government-wide statement of net position and are 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, 2016

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, 2016

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, 2016 represents 15.2% 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, 2016

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 provisions of Connecticut General Statutes and annually adopted budget policies.

- 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, 2016 amounted to \$150,000.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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, 2016:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources - Transfers, Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 58,122,779	\$ 57,742,932	\$ 106,864	\$ 486,711
"On-behalf" payments - State Teachers Retirement Fund <i>(see Note J)</i>	4,575,345	4,575,345	-	-
Encumbrances	-	646,868	(38,802)	(685,670)
Certain revenues and expenses presented net for budgetary purposes	233,350	518,721	(55,000)	(340,371)
Refunding bond proceeds and issuance costs not recorded for budgetary purposes	-	65,829	65,829	-
Certain transfers recorded as expenditures for budgetary purposes	-	(291,653)	(291,653)	-
Capital lease proceeds not recorded for budgetary purposes	-	505,342	505,342	-
GAAP basis	<u>\$ 62,931,474</u>	<u>\$ 63,763,384</u>	<u>\$ 292,580</u>	<u>\$ (539,330)</u>

Deficit Fund Balances

As of June 30, 2016, the Bonded Projects Fund has a deficit fund balance of \$966,201, which does not constitute a violation of statutory provisions. The deficit is expected to be eliminated through future revenue sources, state grant reimbursements and bonding.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash and cash equivalents as of June 30, 2016 is as follows:

Government-wide statement of net position	\$ 23,145,439
Statement of fiduciary net position	<u>538,692</u>
	23,684,131
Add: certificates of deposit classified as investments	2,236,356
Less: cash equivalents considered investments for disclosure purposes	<u>(3,356,093)</u>
	<u><u>\$ 22,564,394</u></u>

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, 2016, \$22,197,587 of the Town's bank balance of \$23,702,290 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 19,977,918
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>2,219,769</u>
	<u><u>\$ 22,197,687</u></u>

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.

Investments

A reconciliation of the Town's investments as of June 30, 2016 is as follows:

Government-wide statement of net position	\$ 2,119,266
Statement of fiduciary net position	<u>358,053</u>
	2,477,319
Add: cash equivalents considered investments for disclosure purposes	3,356,093
Less: certificates of deposit classified as investments	<u>(2,236,356)</u>
	<u><u>\$ 3,597,056</u></u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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.

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

Investment type	Valuation Basis	Credit Rating	Value	Investment Maturities (In Years) Less Than 1
Debt Securities:				
<i>Government-wide statement of net position:</i>				
Short-Term Investment Fund	Net Asset Value	AAA	\$ 3,356,093	<u>\$ 3,356,093</u>
 Other investments:				
<i>Statement of fiduciary net position:</i>				
Mutual funds	Fair Value		<u>240,963</u>	
			<u>\$ 3,597,056</u>	

Because the State of Connecticut's Short-Term Investment Fund (STIF) has weighted average maturities of less than 90 days, they are presented as investments with maturities of less than one year.

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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

Investments *(Continued)*

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 in external investment pools and mutual funds are not evidenced by securities and are therefore not exposed to custodial credit risk.

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2016, more than 10.0% of the Town's governmental activities investments are invested in the Short-Term Investment Fund (100%), which is managed by the State of Connecticut Office of the Treasurer. As of June 30, 2016, more than 10.0% of the Town's fiduciary investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Fiduciary Investments</u>
UBS Financial Services, Inc.	UBS US Allocation Class A Mutual Fund	\$ 98,938	41.1%
UBS Financial Services, Inc.	Putnam Fund for Growth & Income Mutual Fund	47,842	19.9%
UBS Financial Services, Inc.	Pace Large Co Value Equity Investment Mutual Fund	45,022	18.7%
Fidelity Investments	Fidelity Asset Manager 50% Mutual Fund	32,356	13.4%

NOTE D - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2016, by level within the fair value hierarchy are presented in the table below.

<u>Financial Assets Measured at Fair Value</u>	<u>Prices in Active Market (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Mutual funds	<u>\$ 240,963</u>	<u>-</u>	<u>-</u>	<u>\$ 240,963</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE E - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2016 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,796,918	\$ 11,955	\$ -	\$ 1,808,873
Construction in progress	1,277,695	472,936	(1,098,568)	652,063
Total capital assets, not being depreciated	3,074,613	484,891	(1,098,568)	2,460,936
Capital assets, being depreciated:				
Land improvements	975,678	318,903	-	1,294,581
Buildings and improvements	93,637,071	20,482	-	93,657,553
Machinery and equipment	12,207,073	1,860,633	(290,350)	13,777,356
Infrastructure	19,146,535	1,324,420	-	20,470,955
Total capital assets, being depreciated	125,966,357	3,524,438	(290,350)	129,200,445
Less accumulated depreciation and amortization for:				
Land improvements	738,916	23,751	-	762,667
Buildings and improvements	17,182,105	1,356,302	(270,428)	18,267,979
Machinery and equipment	8,174,768	641,926	-	8,816,694
Infrastructure	7,525,290	276,177	-	7,801,467
Total accumulated depreciation and amortization	33,621,079	2,298,156	(270,428)	35,648,807
Total capital assets, being depreciated, net	92,345,278	1,226,282	(19,922)	93,551,638
Governmental activities capital assets, net	\$ 95,419,891	\$ 1,711,173	\$(1,118,490)	\$96,012,574

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

Governmental Activities:	
General government	\$ 192,289
Public safety	257,567
Public works	419,939
Recreation and leisure	40,330
Education	1,388,031
Total depreciation and amortization expense - governmental activities	\$ 2,298,156

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE E - CAPITAL ASSETS *(Continued)*

Capital asset activity for business-type activities for the year ended June 30, 2016 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,127,031	\$ -	\$ -	\$ 1,127,031
Construction in progress	1,500,360	173,504	(1,582,255)	91,609
Total capital assets, not being depreciated	<u>2,627,391</u>	<u>173,504</u>	<u>(1,582,255)</u>	<u>1,218,640</u>
Capital assets, being depreciated:				
Buildings and improvements	19,862,414	-	-	19,862,414
Distribution and collection systems	51,487,323	-	-	51,487,323
Machinery and equipment	13,077,105	1,884,067	-	14,961,172
Total capital assets, being depreciated	<u>84,426,842</u>	<u>1,884,067</u>	<u>-</u>	<u>86,310,909</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	6,818,641	394,621	-	7,213,262
Distribution and collection systems	17,727,430	770,044	-	18,497,474
Machinery and equipment	7,760,325	474,011	-	8,234,336
Total accumulated depreciation and amortization	<u>32,306,396</u>	<u>1,638,676</u>	<u>-</u>	<u>33,945,072</u>
Total capital assets, being depreciated, net	<u>52,120,446</u>	<u>245,391</u>	<u>-</u>	<u>52,365,837</u>
Business-type activities capital assets, net	<u>\$ 54,747,837</u>	<u>\$ 418,895</u>	<u>\$(1,582,255)</u>	<u>\$53,584,477</u>

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

Business-type Activities:	
Sewer department	\$ 1,343,492
Water department	<u>295,184</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 1,638,676</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2016 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Bonded Projects Fund	\$ 966,201
General Fund	Nonmajor governmental funds	6,846
		973,047
Nonmajor governmental funds	General Fund	1,767,843
		\$ 2,740,890
Proprietary Funds:		
Sewer Department	Water Department	\$ 3,285

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 G - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Sewer Fund	\$ 11,000
General Fund	Nonmajor governmental funds	88,517
		99,517
Nonmajor governmental funds	General Fund	378,108
Total transfers		\$ 477,625

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, 2016

NOTE H - FUND BALANCE

The various components of fund balance at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Bonded Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid charges	\$ 125,836	\$ -	-	\$ 125,836
Inventory	-	-	25,454	25,454
Restricted for:				
Grant program purposes	-	-	112,115	112,115
External - donations	23,652	-	14,939	38,591
Education	32,442	-	-	32,442
Committed to:				
Revaluation	61,399	-	-	61,399
Education carryover	7,296	-	-	7,296
Public safety - severance	31,500	-	-	31,500
General government	-	-	49,020	49,020
Health and welfare	-	-	204,181	204,181
Recreation	-	-	43,760	43,760
Cafeteria operations	-	-	246,805	246,805
Capital projects	88,002	-	1,208,629	1,296,631
Assigned to:				
General government	48,682	-	-	48,682
Public safety	18,787	-	-	18,787
Public works	37,572	-	-	37,572
Social services	51	-	-	51
Recreation and leisure	130	-	-	130
Education	602,934	-	-	602,934
Capital outlays	37,465	-	-	37,465
Unassigned:	8,856,301	(966,201)	-	7,890,100
	<u>\$ 9,972,049</u>	<u>\$ (966,201)</u>	<u>\$ 1,904,903</u>	<u>\$ 10,910,751</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE I - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 37,631,200	\$ 5,849,000	\$ (8,542,700)	\$ 34,937,500	\$ 3,528,700
Unamortized premium	1,565,125	-	(125,612)	1,439,513	-
Total bonds payable	<u>39,196,325</u>	<u>5,849,000</u>	<u>(8,668,312)</u>	<u>36,377,013</u>	<u>3,528,700</u>
Other liabilities:					
Capital lease obligations	137,829	505,342	(114,099)	529,072	114,099
Landfill post-closure	171,000	-	(19,000)	152,000	19,000
Early retirement incentive	118,037	60,227	(117,970)	60,294	44,234
Compensated absences	1,491,773	29,154	(21,988)	1,498,939	299,800
Net pension liability	4,751,059	1,390,097	-	6,141,156	-
Net OPEB obligation	41,679	-	(96)	41,583	-
	<u>\$ 45,907,702</u>	<u>\$ 7,833,820</u>	<u>\$ (8,941,465)</u>	<u>\$ 44,800,057</u>	<u>\$ 4,005,833</u>
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 2,263,800	\$ -	\$ (297,300)	\$ 1,966,500	\$ 297,300
Unamortized premium	93,229	-	(9,322)	83,907	-
Total bonds payable	<u>2,357,029</u>	<u>-</u>	<u>(306,622)</u>	<u>2,050,407</u>	<u>297,300</u>
Other liabilities:					
Note payable	245,631	-	(21,623)	224,008	10,386
Capital lease obligations	135,020	-	(66,915)	68,105	68,105
Contract payable	1,380,985	-	(223,263)	1,157,722	218,261
Compensated absences	61,800	-	(1,884)	59,916	12,400
Net pension liability	239,369	185,759	-	425,128	-
	<u>\$ 4,419,834</u>	<u>\$ 185,759</u>	<u>\$ (620,307)</u>	<u>\$ 3,985,286</u>	<u>\$ 606,452</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, 2016

NOTE I - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2016 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>
Governmental Activities					
Bonds Payable					
General Obligation Bonds	2006	\$ 10,000,000	3.625% - 5.0%	2017	\$ 525,000
General Obligation Bonds	2007	6,300,000	3.7% - 4.5%	2017	315,000
General Obligation Bonds	2009	12,000,000	2.0% - 4.0%	2017	1,000,000
General Obligation Bonds - Series A	2010	2,212,600	2.0% - 4.0%	2022	1,378,500
General Obligation Bonds - Series B	2010	7,890,000	3.0% - 5.0%	2025	7,320,000
General Obligation Bonds	2013	10,625,000	2.125% - 5.0%	2033	9,525,000
General Obligation Refunding Bonds	2013	9,195,000	1.0% - 4.0%	2027	9,025,000
General Obligation Refunding Bonds	2015	5,849,000	1.97%	2033	5,849,000
					\$ 34,937,500
Business-type Activities					
Bonds Payable					
General Obligation Bonds	1999	\$ 1,350,000	6.60%	2019	\$ 210,000
General Obligation Refunding Bonds	2010	1,042,400	2.0% - 4.0%	2019	406,500
General Obligation Bonds	2013	1,500,000	2.125% - 5.0%	2033	1,350,000
					\$ 1,966,500

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2016:

<u>Year ending</u> <u>June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,528,700	\$ 1,023,486	\$ 4,552,186
2018	3,115,500	916,366	4,031,866
2019	3,424,300	787,414	4,211,714
2020	3,739,000	679,276	4,418,276
2021	3,854,000	563,299	4,417,299
2022-2026	13,099,000	1,387,764	14,486,764
2027-2031	3,317,000	310,983	3,627,983
2032-2033	860,000	25,800	885,800
	\$ 34,937,500	\$ 5,694,388	\$ 40,631,888

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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

General Obligation Bonds *(Continued)*

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
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	90,000	28,938	118,938
2022-2026	410,000	98,781	508,781
2027-2031	350,000	47,250	397,250
2032-2033	140,000	4,200	144,200
	\$ 1,966,500	\$ 379,672	\$ 2,346,172

Refundings

At June 30, 2016, there is approximately \$4.1 million of bonds related to the 2010 general obligation bond issuance that are considered defeased but still outstanding. In addition, there is approximately \$6.3 million of bonds related to the 2013 general obligation bond issuance that are considered defeased but still outstanding.

On November 2, 2015, the Town issued \$5,849,000 in general obligation bonds with an average interest rate of 1.98% to refund outstanding bonds with an average interest rate of 3.83%. The bonds refunded were as follows: \$2,520,000 of outstanding 2007 general obligation bonds and \$3,000,000 of outstanding 2009 general obligation bonds. The net proceeds of \$5,783,171 (after payment of expenses of \$65,829) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy portfolio of direct obligations of, or obligations guaranteed by the United States of America, to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the statement of net position. The transactions generated cash flow savings of \$296,426 and a present value savings of \$283,699.

At June 30, 2016, there is approximately \$5.6 million of bonds related to the 2015 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 \$266,558,012 as of June 30, 2016. 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, 2016.

Authorized, Unissued Bonds

As of June 30, 2016, the Town had authorized but unissued bonds totaling \$3,900,500.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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

Note Payable

The State of Connecticut Department of Energy and 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%.

Annual debt service requirements to maturity on these obligations are as follows as of June 30, 2016:

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2017	\$ 10,386	\$ 4,385	\$ 14,771
2018	10,597	4,176	14,773
2019	10,811	3,962	14,773
2020	11,029	3,743	14,772
2021	11,252	3,521	14,773
2022-2026	59,758	14,736	74,494
2027-2031	66,038	7,826	73,864
2032-2034	44,137	1,412	45,549
	\$ 224,008	\$ 43,761	\$ 267,769

Capital Lease Obligations

A summary of assets acquired through capital lease is as follows as of June 30, 2016:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 729,022	\$ 334,678
Less: accumulated amortization	160,042	65,541
	\$ 568,980	\$ 269,137

Governmental activities amortization expense relative to leased equipment under the capital lease totaled \$114,099 for the year ended June 30, 2016. Business-type activities amortization expense relative to leased equipment under the capital lease totaled \$16,734 for the year ended June 30, 2016. Both amounts are included in depreciation and amortization expense disclosed in Note E.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

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

Capital Lease Obligations *(Continued)*

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2016 is as follows:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2017	\$ 114,099	\$ 69,318
2018	114,099	-
2019	68,156	-
2020	68,156	-
2021	68,156	-
Thereafter	136,314	-
Total minimum lease payments	568,980	69,318
Less: amount representing interest	(39,908)	(1,213)
Present value of minimum lease payments	<u>\$ 529,072</u>	<u>\$ 68,105</u>

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 \$1,157,722 as of June 30, 2016, of which \$708,240 is owed by the Town and \$449,482 is owed by other parties. The Town has recorded \$436,537 as a connection fees receivable in the Water Department as of June 30, 2016, 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 \$152,000 at June 30, 2016. 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 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, 2016 was \$117,970.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE J - 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

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Plan Description *(Continued)*

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.

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 11.38% of the annual Town employees' covered payroll and 16.73% 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, 2016, 2015 and 2014 were \$1,346,598, \$872,911, and \$900,893, 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 outflows and 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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Net Pension Liability

The total estimated net pension liability of the CMERS as of June 30, 2015 was \$192.737 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$6.566 million or approximately 1.979% 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, rolled forward for the year ending June 30, 2015. 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 \$425 thousand, based on the proportion of current year contributions made by the business-type activities to the CMERS plan. The remaining proportionate share of the net pension liability, in the amount of \$6.141 million, was allocated to the Town's governmental activities.

Actuarial assumptions - The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2014 rolled forward for the year ending June 30, 2015, 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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2016

NOTE J - EMPLOYEE RETIREMENT PLANS (Continued)

Connecticut Municipal Employees' Retirement System (Continued)

Net Pension Liability (Continued)

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	16.0%	5.80%
Developed Non-U.S. Equities	14.0%	6.60%
Emerging Markets (Non-U.S.)	7.0%	8.30%
Core Fixed Income	8.0%	1.30%
Inflation Linked Bonds	5.0%	1.00%
Emerging Market Bonds	8.0%	3.70%
High Yield Bonds	14.0%	3.90%
Real Estate	7.0%	5.10%
Private Equity	10.0%	7.60%
Alternative Investment	8.0%	4.10%
Liquidity Fund	3.0%	0.40%
	<u>100.0%</u>	

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.

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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount (8.00%)</u>	<u>1% Increase (9.00%)</u>
Town proportionate share of the net pension liability as of June 30, 2016	\$ 11,925,503	\$ 6,566,284	\$ 2,043,518

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2016, the Town recognized pension expense related to the CMERS of \$1,250,294. At June 30, 2016, the Town reported its proportionate share of deferred outflows of resources related to the MERS from the following source:

	Deferred Outflows of Resources	
	Governmental Activities	Business-type Activities
Net difference between projected and actual earnings on pension plan investments	\$ 465,623	\$ 32,266

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

	Governmental Activities	Business-type Activities
Year ended June 30,		
2017	\$ 25,398	\$ 1,674
2018	25,398	1,674
2019	25,398	1,674
2020	389,429	27,244
	\$ 465,623	\$ 32,266

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE J - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

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, 2016, plan members of the Town contributed \$1,357,808 to the plan and covered payroll for the year was \$18,728,386. The Town has recognized on-behalf payments of \$4,575,345 made by the State of Connecticut into the plan as 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, 2015 was \$10.972 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$52.024 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, rolled forward to June 30, 2015. 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 \$4,168,448 for the year ended June 30, 2016.

The total pension liability in the June 30, 2014 actuarial valuation, rolled forward to June 30, 2015, 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, 2016

NOTE J - 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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.80%
Developed Non-U.S. Equities	18.0%	6.60%
Emerging Markets (Non-U.S.)	9.0%	8.30%
Core Fixed Income	7.0%	1.30%
Inflation Linked Bonds	3.0%	1.00%
Emerging Market Bonds	5.0%	3.70%
High Yield Bonds	5.0%	3.90%
Real Estate	7.0%	5.10%
Private Equity	11.0%	7.60%
Alternative investments	8.0%	4.10%
Cash	6.0%	0.40%
	100.0%	

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:

	1% Decrease (7.50%)	Current Discount (8.50%)	1% Increase (9.50%)
Town proportionate share of the net pension liability	\$65.6 million	\$52.0 million	\$40.5 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, 2016

NOTE K - 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	\$ 115,336
Interest on net OPEB obligation	1,667
Adjustment to annual required contribution	<u>(2,014)</u>
Annual OPEB cost (expense)	114,989
Contributions made	<u>115,085</u>
Increase in net OPEB obligation	(96)
Net OPEB obligation, beginning of year	<u>41,679</u>
Net OPEB obligation, end of year	<u><u>\$ 41,583</u></u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE K - 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:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 107,924	83.9%	\$ 29,880
2015	112,061	89.5%	41,679
2016	114,989	100.1%	41,583

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:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	(Unfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 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, 2016

NOTE K - 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 L - 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 2016, 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, 2016. 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, 2016

NOTE L - RISK MANAGEMENT *(Continued)*

A summary of claims activity for the years ended June 30, 2015 and 2016 is as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2015	\$ 464,416	\$ 6,147,029	\$ 6,100,441	\$ 511,004
2016	511,004	6,162,453	6,187,457	486,000

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

NOTE M - 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, 2016, the Town has recorded \$745,621 in encumbrances. Such encumbrances have been included as part of the assigned fund balance designation.

NOTE N - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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.

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2016

NOTE N – IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes disclosure of information about the nature and magnitude of tax abatements to allow users of the financial statements to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of this statement are effective for the Town's reporting period beginning July 1, 2016. The Town does not expect this statement to have a material effect on its financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Unaudited)
 CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 LAST TWO FISCAL YEARS
 JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	1.979%	4.769%
Town's proportionate share of the net pension liability	<u>\$ 6,566,284</u>	<u>\$ 4,699,674</u>
Town's covered payroll	\$ 10,870,196	\$ 10,187,832
Town's proportionate share of the net pension liability as a percentage of its covered payroll	60.4%	46.1%
Plan fiduciary net position as a percentage of the total pension liability	92.72%	96.06%

Notes to Schedule:

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

The total pension liability reported for each year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2016 is based on a June 30, 2015 measurement date).

Benefit changes - None noted.

Assumption changes - None noted.

The allocation totals and percentages for the year-ending June 30, 2015 have been adjusted based on a restatement to the Connecticut Municipal Employees Retirement System fiduciary net assets. The July 1, 2014 fiduciary net position was increased \$139,565,000 to include the gross amount of contributions receivable.

See accompanying Independent Auditor's Report .

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF CONTRIBUTIONS (Unaudited)
 CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 LAST TWO FISCAL YEARS
 JUNE 30, 2016

	2016	2015
Contractually required contribution	\$ 1,346,598	\$ 872,911
Contributions in relation to the contractually required contribution	1,346,598	872,911
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 10,870,196	\$ 10,187,832
Contributions as a percentage of covered employee payroll	12.39%	8.57%

Notes to Schedule:

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
 LAST TWO FISCAL YEARS
 (Dollar amounts in thousands)

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.474%	0.474%
Town's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	52,024	48,086
Total	<u>\$ 52,024</u>	<u>\$ 48,086</u>
Town's covered payroll	\$ 18,728	\$ 18,347
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

Notes to Schedule:

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

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2016 is based on a June 30, 2015 measurement date).

Benefit changes - None noted.

Assumption changes - None noted.

See accompanying Independent Auditor's Report .

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS (Unaudited)
LAST FOUR ACTUARIAL VALUATIONS

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.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Revenues from property taxes	\$ 38,014,608	\$ 38,014,608	\$ 37,640,082	\$ (374,526)
Telephone access	55,000	55,000	54,254	(746)
Interest and lien fees	320,000	320,000	360,690	40,690
Total property taxes	<u>38,389,608</u>	<u>38,389,608</u>	<u>38,055,026</u>	<u>(334,582)</u>
INTERGOVERNMENTAL REVENUES				
State grants for school aid:				
ECS grant	12,768,219	12,768,219	12,864,273	96,054
Transportation	300,000	300,000	354,847	54,847
Special education	300,000	300,000	162,321	(137,679)
Adult education	32,809	32,809	34,184	1,375
Total state grants for school aid	<u>13,401,028</u>	<u>13,401,028</u>	<u>13,415,625</u>	<u>14,597</u>
State grants unspecified:				
In lieu of taxes - State property	2,272,703	2,272,703	2,195,507	(77,196)
Emergency management program	9,877	9,877	19,533	9,656
Tax relief for elderly	119,625	119,625	104,867	(14,758)
Tax relief for disabled	3,800	3,800	3,444	(356)
Tax relief for veterans	9,805	9,805	9,159	(646)
MRSA Municipal Projects	528,644	528,644	528,644	-
Other grants	45,000	45,000	21,848	(23,152)
CT Fines reimbursement	14,000	14,000	12,112	(1,888)
Elect restructuring grant	99,230	99,230	101,213	1,983
Pequot funds	1,021,740	1,021,740	1,019,799	(1,941)
FEMA	-	-	115,590	115,590
Total state grants unspecified	<u>4,124,424</u>	<u>4,124,424</u>	<u>4,131,716</u>	<u>7,292</u>
Total intergovernmental revenues	<u>17,525,452</u>	<u>17,525,452</u>	<u>17,547,341</u>	<u>21,889</u>
CHARGES FOR SERVICES				
Licenses and permits:				
Conveyance tax	115,000	115,000	186,385	71,385
Town clerk fees	120,000	120,000	115,306	(4,694)
Dog licenses	5,000	5,000	7,828	2,828
Dog warden	1,500	1,500	2,338	838
Building department	200,000	200,000	210,640	10,640
Miscellaneous permits	15,000	15,000	18,008	3,008
Fire permits	75,000	75,000	72,129	(2,871)
Transfer station	174,000	174,000	151,236	(22,764)
Total licenses and permits	<u>705,500</u>	<u>705,500</u>	<u>763,870</u>	<u>58,370</u>
Revenue from other agencies:				
Planning and zoning and zoning board of appeals	5,000	5,000	10,079	5,079
Parks and recreations	90,000	90,000	125,313	35,313
Camp Oakdale rent	4,000	4,000	4,840	840
Fair oaks facility rental	1,500	1,500	1,940	440
Housing authority	29,620	29,620	30,879	1,259
Youth service program	42,800	42,800	43,582	782
Total revenue from other agencies	<u>172,920</u>	<u>172,920</u>	<u>216,633</u>	<u>43,713</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
CHARGES FOR SERVICES (Continued)				
Charges for current services:				
Tuition regular	\$ 63,000	\$ 63,000	\$ 41,818	\$ (21,182)
Tuition special education	188,000	188,000	151,098	(36,902)
School miscellaneous revenue	3,000	3,000	4,188	1,188
Personal property audits	20,000	20,000	7,800	(12,200)
Public works department	500	500	675	175
Commercial tipping fees	350,000	350,000	394,761	44,761
Copy money	1,000	1,000	1,202	202
Total charges for current services	<u>625,500</u>	<u>625,500</u>	<u>601,542</u>	<u>(23,958)</u>
Miscellaneous:				
St. Bernard's health service	25,000	25,000	20,723	(4,277)
Police reimbursement	150,000	150,000	260,621	110,621
Insurance reimbursement	45,000	45,000	28,394	(16,606)
Millstone reimbursement	15,000	15,000	19,225	4,225
Fire marshal private duty	5,000	5,000	3,731	(1,269)
All other miscellaneous	30,000	30,000	21,962	(8,038)
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>802,000</u>	<u>802,000</u>	<u>878,656</u>	<u>76,656</u>
Total charges for services	<u>2,305,920</u>	<u>2,305,920</u>	<u>2,460,701</u>	<u>154,781</u>
REVENUE FROM USE OF TOWN MONEY				
Investment interest	35,000	35,000	41,045	6,045
Sewer assessments	20,000	20,000	18,666	(1,334)
Total revenue from use of Town money	<u>55,000</u>	<u>55,000</u>	<u>59,711</u>	<u>4,711</u>
Total revenues	<u>58,275,980</u>	<u>58,275,980</u>	<u>58,122,779</u>	<u>(153,201)</u>
OTHER FINANCING SOURCES				
Cancellation of prior year encumbrances	-	-	38,802	38,802
Appropriation of fund balance	-	150,000	-	(150,000)
Transfers in				
WPCA Financial Services	10,000	10,000	11,000	1,000
Bridge engineering reimbursement	-	-	88,517	88,517
Total other financing sources	<u>10,000</u>	<u>160,000</u>	<u>138,319</u>	<u>(21,681)</u>
Total revenues and other financing sources	<u>\$ 58,285,980</u>	<u>\$ 58,435,980</u>	<u>\$ 58,261,098</u>	<u>\$ (174,882)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Mayor:				
Human services	\$ 135,800	\$ 135,800	\$ 135,755	\$ (45)
Contractual services	49,100	52,145	47,576	(4,569)
Commodities	9,250	6,205	4,240	(1,965)
Total mayor	<u>194,150</u>	<u>194,150</u>	<u>187,571</u>	<u>(6,579)</u>
Town council:				
Human services	19,500	16,927	16,927	-
Commodities	8,250	10,823	9,774	(1,049)
Total town council	<u>27,750</u>	<u>27,750</u>	<u>26,701</u>	<u>(1,049)</u>
Town attorney	<u>235,000</u>	<u>235,000</u>	<u>196,826</u>	<u>(38,174)</u>
Town hall / central services:				
Human services	14,000	10,247	-	(10,247)
Contractual services	163,700	166,333	142,034	(24,299)
Commodities	56,000	57,030	54,561	(2,469)
Capital	1,500	1,590	1,586	(4)
Total town hall / central services	<u>235,200</u>	<u>235,200</u>	<u>198,181</u>	<u>(37,019)</u>
Probate court	<u>15,275</u>	<u>15,275</u>	<u>15,274</u>	<u>(1)</u>
Finance department:				
Human services	573,400	570,755	511,900	(58,855)
Contractual services	65,500	65,000	45,073	(19,927)
Commodities	10,500	13,645	11,131	(2,514)
Total finance department	<u>649,400</u>	<u>649,400</u>	<u>568,104</u>	<u>(81,296)</u>
Insurance and taxes	<u>3,468,475</u>	<u>3,468,475</u>	<u>3,333,696</u>	<u>(134,779)</u>
Board of assessment appeals:				
Human services	500	500	183	(317)
Commodities	100	100	-	(100)
Total board of assessment appeals	<u>600</u>	<u>600</u>	<u>183</u>	<u>(417)</u>
Auditor	<u>18,000</u>	<u>18,000</u>	<u>17,500</u>	<u>(500)</u>
Other	<u>195,000</u>	<u>63,477</u>	<u>41,400</u>	<u>(22,077)</u>
Town clerk:				
Human services	131,508	131,648	130,142	(1,506)
Contractual services	150	150	150	-
Commodities	23,900	23,760	19,479	(4,281)
Total town clerk	<u>155,558</u>	<u>155,558</u>	<u>149,771</u>	<u>(5,787)</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, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Registrar of voters:				
Human services	\$ 36,036	\$ 36,174	\$ 36,174	\$ -
Contractual services	220	630	530	(100)
Commodities	2,200	5,652	5,609	(43)
Total registrar of voters	<u>38,456</u>	<u>42,456</u>	<u>42,313</u>	<u>(143)</u>
Elections / referendum:				
Contractual services	25,088	25,318	25,221	(97)
Commodities	17,000	12,770	11,334	(1,436)
Total elections / referendum	<u>42,088</u>	<u>38,088</u>	<u>36,555</u>	<u>(1,533)</u>
Land use department:				
Human services	250,461	247,677	235,366	(12,311)
Contractual services	600	630	429	(201)
Commodities	15,300	15,401	14,422	(979)
Capital	1,600	4,253	4,073	(180)
Total land use department	<u>267,961</u>	<u>267,961</u>	<u>254,290</u>	<u>(13,671)</u>
Inlands wetlands commission:				
Human services	800	800	587	(213)
Commodities	210	210	-	(210)
Total inlands wetlands commission	<u>1,010</u>	<u>1,010</u>	<u>587</u>	<u>(423)</u>
Economic development commission:				
Human services	900	900	496	(404)
Commodities	350	350	45	(305)
Total economic development commission	<u>1,250</u>	<u>1,250</u>	<u>541</u>	<u>(709)</u>
Zoning board of appeals	<u>600</u>	<u>600</u>	<u>119</u>	<u>(481)</u>
Senior Center:				
Human services	149,054	148,804	146,975	(1,829)
Contractual services	41,100	37,606	30,561	(7,045)
Commodities	14,665	18,409	17,823	(586)
Total senior center	<u>204,819</u>	<u>204,819</u>	<u>195,359</u>	<u>(9,460)</u>
Youth services:				
Human services	156,517	156,518	153,939	(2,579)
Contractual services	44,850	44,849	21,182	(23,667)
Commodities	5,480	5,480	4,563	(917)
Total youth services	<u>206,847</u>	<u>206,847</u>	<u>179,684</u>	<u>(27,163)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT (Continued)				
Private duty	\$ 105,000	\$ 172,050	\$ 172,044	\$ (6)
Building inspector:				
Human services	179,586	179,586	177,706	(1,880)
Contractual services	450	450	310	(140)
Commodities	3,550	3,550	2,091	(1,459)
Capital	400	400	-	(400)
Total building inspector	<u>183,986</u>	<u>183,986</u>	<u>180,107</u>	<u>(3,879)</u>
Information technology:				
Human services	96,720	97,428	97,427	(1)
Contractual services	228,800	227,247	222,230	(5,017)
Commodities	4,050	4,895	4,894	(1)
Total information technology	<u>329,570</u>	<u>329,570</u>	<u>324,551</u>	<u>(5,019)</u>
Total general government	<u>6,575,995</u>	<u>6,511,522</u>	<u>6,121,357</u>	<u>(390,165)</u>
PUBLIC SAFETY				
Emergency management:				
Human services	77,743	75,265	74,533	(732)
Contractual services	15,000	15,000	14,106	(894)
Commodities	2,885	2,885	1,671	(1,214)
Total emergency management	<u>95,628</u>	<u>93,150</u>	<u>90,310</u>	<u>(2,840)</u>
Police department:				
Human services	2,069,130	2,005,194	2,004,801	(393)
Contractual services	165,000	186,808	186,807	(1)
Commodities	85,150	105,778	102,226	(3,552)
Capital	18,500	60,000	58,980	(1,020)
Total police department	<u>2,337,780</u>	<u>2,357,780</u>	<u>2,352,814</u>	<u>(4,966)</u>
Fire marshal:				
Human services	85,672	89,910	89,909	(1)
Commodities	4,935	3,175	2,583	(592)
Total fire marshal	<u>90,607</u>	<u>93,085</u>	<u>92,492</u>	<u>(593)</u>
Animal control:				
Human services	58,910	62,272	62,269	(3)
Contractual services	4,207	2,375	2,215	(160)
Commodities	7,100	5,570	5,543	(27)
Total animal control	<u>70,217</u>	<u>70,217</u>	<u>70,027</u>	<u>(190)</u>
Public safety commission:				
Human services	1,000	1,000	710	(290)
Commodities	50	50	-	(50)
Total public safety commission	<u>1,050</u>	<u>1,050</u>	<u>710</u>	<u>(340)</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, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC SAFETY (Continued)				
Dispatch:				
Human services	\$ 299,800	\$ 299,800	\$ 288,558	\$ (11,242)
Commodities	4,250	4,250	3,157	(1,093)
Total dispatch	<u>304,050</u>	<u>304,050</u>	<u>291,715</u>	<u>(12,335)</u>
Fire protection:				
Human services	727,275	717,775	717,741	(34)
Contractual services	380,142	380,143	380,142	(1)
Commodities	73,700	95,199	94,872	(327)
Total fire protection	<u>1,181,117</u>	<u>1,193,117</u>	<u>1,192,755</u>	<u>(362)</u>
Public safety building:				
Contractual services	110,000	109,505	95,842	(13,663)
Commodities	1,500	1,995	1,811	(184)
Total public safety building	<u>111,500</u>	<u>111,500</u>	<u>97,653</u>	<u>(13,847)</u>
Total public safety	<u>4,191,949</u>	<u>4,223,949</u>	<u>4,188,476</u>	<u>(35,473)</u>
PUBLIC WORKS				
Public works:				
Human services	1,391,706	1,313,689	1,312,454	(1,235)
Contractual services	426,450	436,977	423,885	(13,092)
Commodities	796,680	861,098	808,737	(52,361)
Capital	10,600	13,672	12,861	(811)
Total public works	<u>2,625,436</u>	<u>2,625,436</u>	<u>2,557,937</u>	<u>(67,499)</u>
Camp Oakdale:				
Contractual services	63,850	54,827	51,200	(3,627)
Commodities	14,600	23,573	22,245	(1,328)
Capital	500	550	510	-
Total Camp Oakdale	<u>78,950</u>	<u>78,950</u>	<u>73,955</u>	<u>(4,995)</u>
Solid waste:				
Human services	136,500	133,425	122,866	(10,559)
Contractual services	863,700	868,321	802,777	(65,544)
Commodities	34,950	34,950	22,018	(12,932)
Capital	9,000	7,454	3,050	(4,404)
Total solid waste	<u>1,044,150</u>	<u>1,044,150</u>	<u>950,711</u>	<u>(93,439)</u>
Engineering services	<u>135,000</u>	<u>144,050</u>	<u>144,029</u>	<u>(21)</u>
Total public works	<u>3,883,536</u>	<u>3,892,586</u>	<u>3,726,632</u>	<u>(165,954)</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
HEALTH AND WELFARE				
Contractual services	\$ 180,741	\$ 180,741	\$ 180,240	\$ (501)
Commodities	700	700	518	(182)
Total health and welfare	<u>181,441</u>	<u>181,441</u>	<u>180,758</u>	<u>(683)</u>
SOCIAL SERVICES				
Human services	31,145	31,145	30,600	(545)
Contractual services	7,745	7,745	1,129	(6,616)
Commodities	400	400	218	(182)
Total social services	<u>39,290</u>	<u>39,290</u>	<u>31,947</u>	<u>(7,343)</u>
RECREATION AND LEISURE				
Recreation:				
Human services	204,862	204,403	204,358	(45)
Contractual services	779	1,276	1,276	-
Commodities	30,500	35,901	35,888	(13)
Capital	3,600	1,861	1,856	(5)
Total recreation	<u>239,741</u>	<u>243,441</u>	<u>243,378</u>	<u>(63)</u>
Fair oaks building	<u>32,050</u>	<u>32,050</u>	<u>28,273</u>	<u>(3,777)</u>
Parks and recreation commission:				
Human services	<u>600</u>	<u>918</u>	<u>918</u>	<u>-</u>
Total recreation and leisure	<u>272,391</u>	<u>276,409</u>	<u>272,569</u>	<u>(3,840)</u>
MISCELLANEOUS				
Donations to organizations	<u>61,800</u>	<u>61,800</u>	<u>59,300</u>	<u>(2,500)</u>
EDUCATION	<u>37,598,668</u>	<u>37,598,668</u>	<u>37,573,071</u>	<u>(25,597)</u>
CAPITAL OUTLAYS	<u>1,169,619</u>	<u>1,354,619</u>	<u>1,341,218</u>	<u>(13,401)</u>
DEBT SERVICE				
Redemption of debt - principal	3,091,907	3,091,907	3,090,856	(1,051)
Interest payments	1,219,384	1,172,334	1,156,748	(15,586)
Total debt service	<u>4,311,291</u>	<u>4,264,241</u>	<u>4,247,604</u>	<u>(16,637)</u>
Total expenditures	<u>58,285,980</u>	<u>58,404,525</u>	<u>57,742,932</u>	<u>(661,593)</u>
OTHER FINANCING SOURCES				
Transfers out - capital projects fund	<u>-</u>	<u>31,455</u>	<u>31,455</u>	<u>-</u>
Total expenditures and other financing uses	<u>58,285,980</u>	<u>58,435,980</u>	<u>57,774,387</u>	<u>(661,593)</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, 2016

Grand List Year	Balance Uncollected June 30, 2015	Current Levy	Lawful Corrections		Transfers To Suspende	Balance To Be Collected	Collections			Balance Uncollected June 30, 2016
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
2014	\$ -	\$ 38,068,089	\$ 50,282	\$ 192,929	\$ -	\$ 37,925,442	\$ 37,067,885	\$ 160,306	\$ 37,228,191	\$ 857,557
2013	882,686	-	14,896	6,872	4,416	886,294	357,660	89,627	447,287	528,634
2012	641,574	-	6,497	3,388	1,996	642,687	127,803	51,262	179,065	514,884
2011	312,917	-	8,599	1,415	24,122	295,979	40,314	24,126	64,440	255,665
2010	234,001	-	4,429	2,796	15,311	220,323	21,713	17,446	39,159	198,610
2009	70,470	-	1,610	5,537	28,596	37,947	8,227	4,108	12,335	29,720
2008	28,212	-	32	-	9,583	18,661	245	527	772	18,416
2007	16,419	-	228	-	2,956	13,691	470	602	1,072	13,221
2006	7,035	-	3,191	-	2,661	7,565	470	686	1,156	7,095
2005	6,034	-	5,964	-	4,076	7,922	306	511	817	7,616
2004	5,823	-	1,093	-	4,054	2,862	149	406	555	2,713
2003	3,039	-	-	-	431	2,608	-	-	-	2,608
2002	3,012	-	-	-	460	2,552	-	-	-	2,552
2001	4,663	-	-	-	2,360	2,303	-	-	-	2,303
2000	2,308	-	-	-	2,308	-	-	-	-	-
	<u>\$ 2,218,193</u>	<u>\$ 38,068,089</u>	<u>\$ 96,821</u>	<u>\$ 212,937</u>	<u>\$ 103,330</u>	<u>\$ 40,066,836</u>	<u>\$ 37,625,242</u>	<u>\$ 349,607</u>	<u>\$ 37,974,849</u>	<u>\$ 2,441,594</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, 2016

Total cash collections for the year ended
June 30, 2016:

Taxes	\$ 37,625,242
Interest and lien fees	349,607
Total	<u>37,974,849</u>
Reimbursement for revenue loss:	
Tax relief for elderly (CGS 12-129d)	104,867
Base	<u><u>\$ 38,079,716</u></u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 85,679,361	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	171,358,722	-	-	-
3-3/4 times base	-	-	142,798,935	-	-
3-1/4 times base	-	-	-	123,759,077	-
3 times base	-	-	-	-	114,239,148
Total debt limitation	<u>85,679,361</u>	<u>171,358,722</u>	<u>142,798,935</u>	<u>123,759,077</u>	<u>114,239,148</u>
Indebtedness:					
Bonds payable	15,080,500	18,456,000	1,966,500	-	-
Authorized but unissued bonds	-	3,900,500	-	-	-
Total indebtedness	<u>15,080,500</u>	<u>22,356,500</u>	<u>1,966,500</u>	<u>-</u>	<u>-</u>
Less: assessments receivable	30,080	-	-	-	-
Less: School construction grants receivable	-	1,163,251	-	-	-
Net indebtedness	<u>15,050,420</u>	<u>21,193,249</u>	<u>1,966,500</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 70,628,941</u></u>	<u><u>\$ 150,165,473</u></u>	<u><u>\$ 140,832,435</u></u>	<u><u>\$ 123,759,077</u></u>	<u><u>\$ 114,239,148</u></u>
Total capacity of borrowing (7 times base)	\$ 266,558,012				
Total present indebtedness	<u>38,210,169</u>				
Margin for additional borrowing	<u><u>\$ 228,347,843</u></u>				

Note : Per Connecticut General Statutes 7-374 - Bonded indebtedness of municipalities - the aggregate indebtedness of the Town shall exclude each bond, note and other evidence of indebtedness issued for the supply of water. As such, water bonds in the amount of \$1,401,000 have been excluded from the above schedule.

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE II
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 258,963	\$ 680,999	\$ 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	15,781	339,379	2,053,593
2005	2,053,593	218	-	2,053,811	299,662	138,600	438,262	1,754,149
2006	1,754,149	24	46,244	1,707,929	367,903	91,784	459,687	1,340,026
2007	1,340,026	142	-	1,340,168	260,239	74,600	334,839	1,079,929
2008	1,079,929	-	2,702	1,077,227	211,382	64,108	275,490	865,845
2009	865,845	-	4,106	861,739	184,117	41,507	225,624	677,622
2010	677,622	-	175	677,447	189,341	31,885	221,226	488,106
2011	488,106	20	-	488,126	154,173	25,776	179,949	333,953
2012	333,953	-	20	333,933	138,002	21,363	159,365	195,931
2013	195,931	-	1,338	194,593	134,573	9,246	143,819	60,020
2014	60,020	-	-	60,020	18,244	4,376	22,620	41,776
2015	41,776	-	5,971	35,805	8,041	7,534	15,575	27,764
2016	27,764	-	-	27,764	4,707	7,534	12,241	23,057

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS - PHASE IV
FOR THE YEAR ENDED JUNE 30, 2016

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
2016	2,779	-	-	2,779	463	153	616	2,316

See accompanying Independent Auditor's Report.

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Nonmajor Special Revenue Funds							
	Town Aid Road Fund	Small Cities Fund	Mental Health Grant Fund	Hot Lunch Program Fund	Special Education Grants Fund	Social Services Fund	Youth Service Bureau Fund	
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 188,475	\$ 129,847	\$ -	\$ -	\$ -
Receivables:								
Intergovernmental	-	-	-	75,725	645	-	-	-
Other	-	-	-	617	-	-	-	-
Due from other funds	180,446	-	3,348	-	-	212,483	40,774	359
Inventories	-	-	-	25,454	-	-	-	-
Total assets	<u>\$ 180,446</u>	<u>\$ -</u>	<u>\$ 3,348</u>	<u>\$ 290,271</u>	<u>\$ 130,492</u>	<u>\$ 212,483</u>	<u>\$ 40,774</u>	<u>\$ 359</u>
LIABILITIES								
Accounts payable	\$ 5,943	\$ -	\$ 1,154	\$ 8,134	\$ 9,697	\$ 8,302	\$ 2,408	\$ -
Accrued liabilities	-	-	-	4,060	-	-	-	-
Due to funding source	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Unearned revenue	174,503	-	2,194	5,818	120,795	-	-	-
Total liabilities	<u>180,446</u>	<u>-</u>	<u>3,348</u>	<u>18,012</u>	<u>130,492</u>	<u>8,302</u>	<u>2,408</u>	<u>-</u>
FUND BALANCES								
Nonspendable	-	-	-	25,454	-	-	-	-
Restricted	-	-	-	-	-	-	-	359
Committed	-	-	-	246,805	-	204,181	38,366	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,259</u>	<u>-</u>	<u>204,181</u>	<u>38,366</u>	<u>359</u>
Total liabilities and fund balances	<u>\$ 180,446</u>	<u>\$ -</u>	<u>\$ 3,348</u>	<u>\$ 290,271</u>	<u>\$ 130,492</u>	<u>\$ 212,483</u>	<u>\$ 40,774</u>	<u>\$ 359</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 JUNE 30, 2016

	Nonmajor Special Revenue Funds						Nonmajor Capital Project Funds	
	Town Historic Preservation Fund	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation	Police Forfeiture Fund	Miscellaneous State Grants Fund	Total Special Revenue Funds	LOCIP Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,322	\$ -
Receivables:								
Intergovernmental	-	-	-	-	-	-	76,370	90,942
Other	-	-	-	-	-	-	617	-
Due from other funds	10,654	3,493	59,556	4,095	6,992	159	522,359	21,173
Inventories	-	-	-	-	-	-	25,454	-
Total assets	<u>\$ 10,654</u>	<u>\$ 3,493</u>	<u>\$ 59,556</u>	<u>\$ 4,095</u>	<u>\$ 6,992</u>	<u>\$ 159</u>	<u>\$ 943,122</u>	<u>\$ 112,115</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 15,796	\$ -	\$ -	\$ 159	\$ 51,593	\$ -
Accrued liabilities	-	-	-	-	-	-	4,060	-
Due to funding source	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	303,310	-
Total liabilities	<u>-</u>	<u>-</u>	<u>15,796</u>	<u>-</u>	<u>-</u>	<u>159</u>	<u>358,963</u>	<u>-</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	25,454	-
Restricted	-	3,493	-	4,095	6,992	-	14,939	112,115
Committed	10,654	-	43,760	-	-	-	543,766	-
Total fund balances	<u>10,654</u>	<u>3,493</u>	<u>43,760</u>	<u>4,095</u>	<u>6,992</u>	<u>-</u>	<u>584,159</u>	<u>112,115</u>
Total liabilities and fund balances	<u>\$ 10,654</u>	<u>\$ 3,493</u>	<u>\$ 59,556</u>	<u>\$ 4,095</u>	<u>\$ 6,992</u>	<u>\$ 159</u>	<u>\$ 943,122</u>	<u>\$ 112,115</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 JUNE 30, 2016

	Nonmajor Capital Project Funds						Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Capital Nonrecurring Fund	Capital Projects Fund	Open Space Fund	Bridges Fund	Bridge St. Remediation	Chesterfield Sidewalks		
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,322
Receivables:								
Intergovernmental	-	-	-	7,448	6,846	-	105,236	181,606
Other	-	-	-	-	-	-	-	617
Due from other funds	132,368	1,083,153	5,000	3,790	-	-	1,245,484	1,767,843
Inventories	-	-	-	-	-	-	-	25,454
Total assets	<u>\$ 132,368</u>	<u>\$ 1,083,153</u>	<u>\$ 5,000</u>	<u>\$ 11,238</u>	<u>\$ 6,846</u>	<u>\$ -</u>	<u>\$ 1,350,720</u>	<u>\$ 2,293,842</u>
LIABILITIES								
Accounts payable	\$ -	\$ 11,892	\$ -	\$ 360	\$ -	\$ -	\$ 12,252	\$ 63,845
Accrued liabilities	-	-	-	-	-	-	-	4,060
Due to funding source	-	-	-	10,878	-	-	10,878	10,878
Due to other funds	-	-	-	-	6,846	-	6,846	6,846
Unearned revenue	-	-	-	-	-	-	-	303,310
Total liabilities	<u>-</u>	<u>11,892</u>	<u>-</u>	<u>11,238</u>	<u>6,846</u>	<u>-</u>	<u>29,976</u>	<u>388,939</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	25,454
Restricted	-	-	-	-	-	-	112,115	127,054
Committed	132,368	1,071,261	5,000	-	-	-	1,208,629	1,752,395
Total fund balances	<u>132,368</u>	<u>1,071,261</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,320,744</u>	<u>1,904,903</u>
Total liabilities and fund balances	<u>\$ 132,368</u>	<u>\$ 1,083,153</u>	<u>\$ 5,000</u>	<u>\$ 11,238</u>	<u>\$ 6,846</u>	<u>\$ -</u>	<u>\$ 1,350,720</u>	<u>\$ 2,293,842</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, 2016

	Nonmajor Special Revenue Funds							
	Town Aid Road Fund	Small Cities Fund	Mental Health Grant Fund	Hot Lunch Program Fund	Special Education Grants Fund	Social Services Fund	Youth Service Bureau Fund	Learn Not to Burn Fund
REVENUES								
Intergovernmental	\$ 211,596	\$ 25,095	\$ 7,500	\$ 566,630	\$ 1,114,918	\$ 75,150	\$ -	\$ -
Charges for services	-	-	-	430,784	-	66,006	34,363	-
Donations	-	-	-	-	-	20,339	-	-
Total revenues	<u>211,596</u>	<u>25,095</u>	<u>7,500</u>	<u>997,414</u>	<u>1,114,918</u>	<u>161,495</u>	<u>34,363</u>	<u>-</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	24,700	-
Public safety	-	-	-	-	-	-	-	-
Public works	211,596	-	-	-	-	-	-	-
Health and welfare	-	25,095	7,500	-	-	169,202	-	-
Recreation and leisure	-	-	-	-	-	-	-	-
Education	-	-	-	1,029,504	1,114,918	-	-	-
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	<u>211,596</u>	<u>25,095</u>	<u>7,500</u>	<u>1,029,504</u>	<u>1,114,918</u>	<u>169,202</u>	<u>24,700</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(32,090)	-	(7,707)	9,663	-
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	(32,090)	-	(7,707)	9,663	-
Fund balances - beginning	-	-	-	304,349	-	211,888	28,703	359
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,259</u>	<u>\$ -</u>	<u>\$ 204,181</u>	<u>\$ 38,366</u>	<u>\$ 359</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, 2016

	Nonmajor Special Revenue Funds						Nonmajor Capital Project Funds	
	Town Historic Preservation Fund	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation	Police Forfeiture Fund	Miscellaneous State Grants Fund	Total Special Revenue Funds	LOCIP Fund
REVENUES								
Intergovernmental	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ 2,739	\$ 2,006,628	\$ 90,942
Charges for services	6,758	-	75,584	-	-	-	613,495	7,152
Donations	-	500	-	712	-	-	21,551	-
Total revenues	<u>9,758</u>	<u>500</u>	<u>75,584</u>	<u>712</u>	<u>-</u>	<u>2,739</u>	<u>2,641,674</u>	<u>98,094</u>
EXPENDITURES								
Current:								
General government	7,013	-	-	-	-	2,739	34,452	-
Public safety	-	138	-	531	-	-	669	-
Public works	-	-	-	-	-	-	211,596	-
Health and welfare	-	-	-	-	-	-	201,797	-
Recreation and leisure	-	-	65,655	-	-	-	65,655	-
Education	-	-	-	-	-	-	2,144,422	-
Capital outlays	-	-	11,314	-	-	-	11,314	46,192
Total expenditures	<u>7,013</u>	<u>138</u>	<u>76,969</u>	<u>531</u>	<u>-</u>	<u>2,739</u>	<u>2,669,905</u>	<u>46,192</u>
Excess (deficiency) of revenues over expenditures	2,745	362	(1,385)	181	-	-	(28,231)	51,902
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,745	362	(1,385)	181	-	-	(28,231)	51,902
Fund balances - beginning	<u>7,909</u>	<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>
Fund balances - ending	<u>\$ 10,654</u>	<u>\$ 3,493</u>	<u>\$ 43,760</u>	<u>\$ 4,095</u>	<u>\$ 6,992</u>	<u>\$ -</u>	<u>\$ 584,159</u>	<u>\$ 112,115</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, 2016

	Nonmajor Capital Project Funds						Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Capital Nonrecurring Fund	Capital Projects Funds	Open Space Fund	Bridges Fund	Bridge St. Remediation	Chesterfield Sidewalks		
REVENUES								
Intergovernmental	\$ -	\$ -	\$ -	\$ 464,174	\$ 5,796	\$ 12,467	\$ 573,379	\$ 2,580,007
Charges for services	-	-	-	-	-	-	7,152	620,647
Donations	-	-	-	-	-	-	-	21,551
Total revenues	-	-	-	464,174	5,796	12,467	580,531	3,222,205
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	34,452
Public safety	-	-	-	-	-	-	-	669
Public works	-	-	-	-	60,796	-	60,796	272,392
Health and welfare	-	-	-	-	-	-	-	201,797
Recreation and leisure	-	-	-	-	-	-	-	65,655
Education	-	-	-	-	-	-	-	2,144,422
Capital outlays	4,770	247,611	-	355,000	-	12,467	666,040	677,354
Total expenditures	4,770	247,611	-	355,000	60,796	12,467	726,836	3,396,741
Excess (deficiency) of revenues over expenditures	(4,770)	(247,611)	-	109,174	(55,000)	-	(146,305)	(174,536)
OTHER FINANCING SOURCES								
Transfers in	-	323,108	-	-	55,000	-	378,108	378,108
Transfers out	-	-	-	(88,517)	-	-	(88,517)	(88,517)
Total other financing sources (uses)	-	323,108	-	(88,517)	55,000	-	289,591	289,591
Net change in fund balances	(4,770)	75,497	-	20,657	-	-	143,286	115,055
Fund balances - beginning	137,138	995,764	5,000	(20,657)	-	-	1,177,458	1,789,848
Fund balances - ending	\$ 132,368	\$ 1,071,261	\$ 5,000	\$ -	\$ -	\$ -	\$ 1,320,744	\$ 1,904,903

See accompanying Independent Auditor's Report.

FIDUCIARY FUNDS

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	Student Activities	Performance Bonds	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 284,075	\$ 145,121	\$ 429,196
Investments	32,557	-	32,557
Total assets	<u>\$ 316,632</u>	<u>\$ 145,121</u>	<u>\$ 461,753</u>
LIABILITIES			
Due to student groups	\$ 316,632	\$ -	\$ 316,632
Due to others	-	145,121	145,121
Total liabilities	<u>\$ 316,632</u>	<u>\$ 145,121</u>	<u>\$ 461,753</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, 2016

	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2016</u>
Student Activities				
Assets				
Cash and cash equivalents	\$ 265,811	\$ 527,017	\$ 508,753	\$ 284,075
Investments	32,657	98	198	32,557
Total assets	<u>\$ 298,468</u>	<u>\$ 527,115</u>	<u>\$ 508,951</u>	<u>\$ 316,632</u>
Liabilities				
Due to student groups	\$ 298,468	\$ 527,115	\$ 508,951	\$ 316,632
Total liabilities	<u>\$ 298,468</u>	<u>\$ 527,115</u>	<u>\$ 508,951</u>	<u>\$ 316,632</u>
Performance Bonds				
Assets				
Cash and cash equivalents	\$ 179,116	\$ 25,843	\$ 59,838	\$ 145,121
Total assets	<u>\$ 179,116</u>	<u>\$ 25,843</u>	<u>\$ 59,838</u>	<u>\$ 145,121</u>
Liabilities				
Due to others	\$ 179,116	\$ 25,843	\$ 59,838	\$ 145,121
Total liabilities	<u>\$ 179,116</u>	<u>\$ 25,843</u>	<u>\$ 59,838</u>	<u>\$ 145,121</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 444,927	\$ 552,860	\$ 568,591	\$ 429,196
Investments	32,657	98	198	32,557
Total assets	<u>\$ 477,584</u>	<u>\$ 552,958</u>	<u>\$ 568,789</u>	<u>\$ 461,753</u>
Liabilities				
Due to student groups	\$ 298,468	\$ 527,115	\$ 508,951	\$ 316,632
Due to others	179,116	25,843	59,838	145,121
Total liabilities	<u>\$ 477,584</u>	<u>\$ 552,958</u>	<u>\$ 568,789</u>	<u>\$ 461,753</u>

See accompanying Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

Table 1

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

<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>
2014	76.8	13.7	9.5	\$ 1,619,701	\$ 271,914	\$ 1,347,787	7.0%
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
2014 GRAND LIST
(Unaudited)

NAME OF TAXPAYER	NATURE OF BUSINESS	GRAND LIST AMOUNT (1)	% NET TAXABLE GRAND LIST (2)
Connecticut Light and Power	Utility	\$ 44,549,817	3.53
CSC Montville Commons LP	Retail Shopping Center	12,633,500	1.00
Home Depot USA Inc.	Retail Shopping Center	11,451,359	0.91
Montville Power LLC	Power Generation	11,264,206	0.89
Rand Whitney Containerboard LTD	Paper/Paperboard/Cogeneration	9,466,143	0.75
Stonestreet Hospitality Realty Co	Hotel	8,497,910	0.67
Yankee Gas Services	Utilities	6,641,550	0.53
Jensens Inc.	Active Adult Community	5,880,397	0.47
Burkhard Hotel Partners II LLC	Hotel	5,471,185	0.43
Rand Whitney Realty LLC	Paper/Paperboard/Cogeneration	<u>4,417,300</u>	<u>0.35</u>
		<u>\$ 120,273,367</u>	<u>9.52</u>

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

(2) Net Taxable Grand List 10/01/14 Amount \$1,263,207,391

Source: Town of Montville, Office of the Tax Collector

Table 3

TOWN OF MONTVILLE, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST SEVEN 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
2016	2014	\$ 37,925,442	\$ 37,067,885	97.74%	\$ -	\$ 37,067,885	97.74%
2015	2013	36,794,710	35,912,024	97.60%	354,052	36,266,076	98.56%
2014	2012	36,173,699	35,271,962	97.51%	386,853	35,658,815	98.58%
2013	2011	38,212,245	36,735,621	96.14%	1,220,959	37,956,580	99.33%
2012	2010	35,089,735	33,078,939	94.27%	1,812,186	34,891,125	99.43%
2011	2009	33,817,048	33,200,666	98.18%	587,112	33,787,778	99.91%
2010	2008	32,227,184	31,558,711	97.93%	650,057	32,208,768	99.94%

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 SEVEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Bonded Debt	Clean Water Fund Notes	Total Net Bonded Debt	Ration of Net Bonded Debt to Est. Actual Taxable Value¹	Percentage of Personal Income²	Debt Per Capita³
Governmental Activities:						
2016	\$ 34,937,500	\$ -	34,937,500	2.59%	5.61%	1,785
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
Business-type Activities:						
2016	\$ 1,966,500	\$ 224,008	2,190,508	0.16%	0.35%	112
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
Town-wide:						
2016	\$ 36,904,000	\$ 224,008	\$ 37,128,008	2.75%	5.96%	1,897
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 SEVEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (000)s</u>	<u>Per Capita Personal Income²</u>	<u>Median Age¹</u>	<u>Unemployment Rate³</u>
2016	19,571	\$ 623,278	\$ 31,847	42	5.9%
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