

TOWN OF MONTVILLE, CONNECTICUT
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018

TOWN OF MONTVILLE, CONNECTICUT
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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Town adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to the matter.

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 15 and the information on pages 67 through 83 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 84 through 102 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 has 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 28, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



Certified Public Accountants
Glastonbury, Connecticut
December 28, 2018

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, 2018.

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 \$133,126,597 (net position). Of this amount, \$19,697,501 represents unrestricted net position. Of this amount, \$10,283,581 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 \$693,931 during the current fiscal year, which consisted of a current year increase of \$2,087,017 relating to the Town's governmental activities and a decrease of \$1,393,086 relating to the Town's business-type activities.
- The beginning net position of the Town was decreased by \$1,762,109 as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This decrease represented the difference between the net other post-employment benefits obligation previously recognized in accordance with GASB Statement No. 45 and the net other post-employment liability recognized in accordance with GASB Statement No. 75.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$13,040,847, a current year increase of \$1,429,726 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$9,866,374 or 15.3% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.9 months of General Fund operating expenditures.
- Overall Town debt, consisting of bonds, notes and capital leases payable, decreased \$2,949,932 or 8.7% in comparison to the prior year. This decrease was a result of current year principal payments.

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 16 and 17 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 18 through 22 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 23 through 25 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 26 and 27 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 28 through 66 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 67 through 102 of this report, respectively.

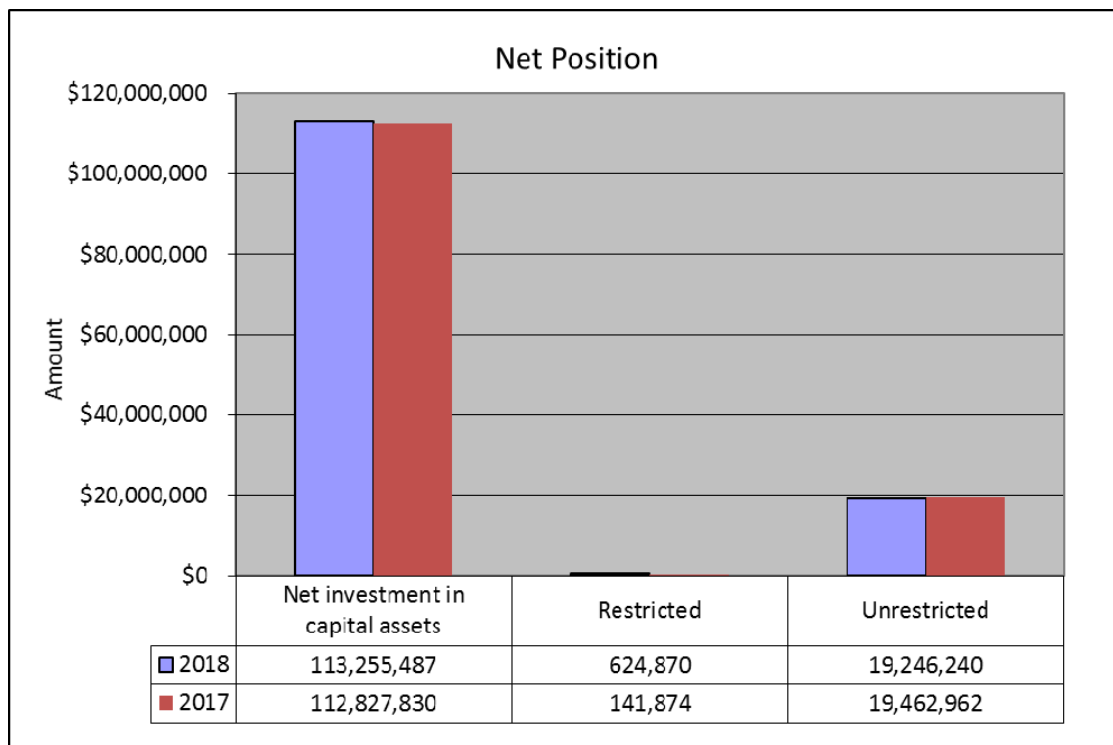
TOWN OF MONTVILLE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

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 \$133,126,597 as of June 30, 2018 and \$132,432,666 as of June 30, 2017, as adjusted for the implementation of GASB Statement No. 75, and is summarized as follows.

	June 30, 2018			June 30, 2017 <i>(As Adjusted)</i>	\$ Variance	% Variance
	Governmental Activities	Business-type Activities	Total			
Current and other assets	\$ 21,495,427	\$ 11,982,306	\$ 33,477,733	\$ 32,954,249	\$ 523,484	2%
Capital assets	94,747,890	50,616,321	145,364,211	147,835,937	(2,471,726)	-2%
Total assets	<u>116,243,317</u>	<u>62,598,627</u>	<u>178,841,944</u>	<u>180,790,186</u>	<u>(1,948,242)</u>	
Deferred outflows of resources	<u>1,925,668</u>	<u>158,680</u>	<u>2,084,348</u>	<u>4,145,230</u>	<u>(2,060,882)</u>	-50%
Other liabilities	2,573,120	371,482	2,944,602	4,388,864	(1,444,262)	-33%
Long-term liabilities	<u>40,929,687</u>	<u>3,875,085</u>	<u>44,804,772</u>	<u>48,113,886</u>	<u>(3,309,114)</u>	-7%
Total liabilities	<u>43,502,807</u>	<u>4,246,567</u>	<u>47,749,374</u>	<u>52,502,750</u>	<u>(4,753,376)</u>	
Deferred inflows of resources	<u>50,321</u>	<u>-</u>	<u>50,321</u>	<u>-</u>	<u>50,321</u>	100%
Net position						
Net investment in capital assets	65,028,328	48,227,159	113,255,487	112,827,830	427,657	0%
Restricted	624,870	-	624,870	141,874	482,996	340%
Unrestricted	<u>8,962,659</u>	<u>10,283,581</u>	<u>19,246,240</u>	<u>19,462,962</u>	<u>(216,722)</u>	-1%
Total net position	<u>\$ 74,615,857</u>	<u>\$ 58,510,740</u>	<u>\$ 133,126,597</u>	<u>\$ 132,432,666</u>	<u>\$ 693,931</u>	



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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

As of June 30, 2018, 85.1% 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 \$693,931 in comparison with the prior year.

Changes in Net Position

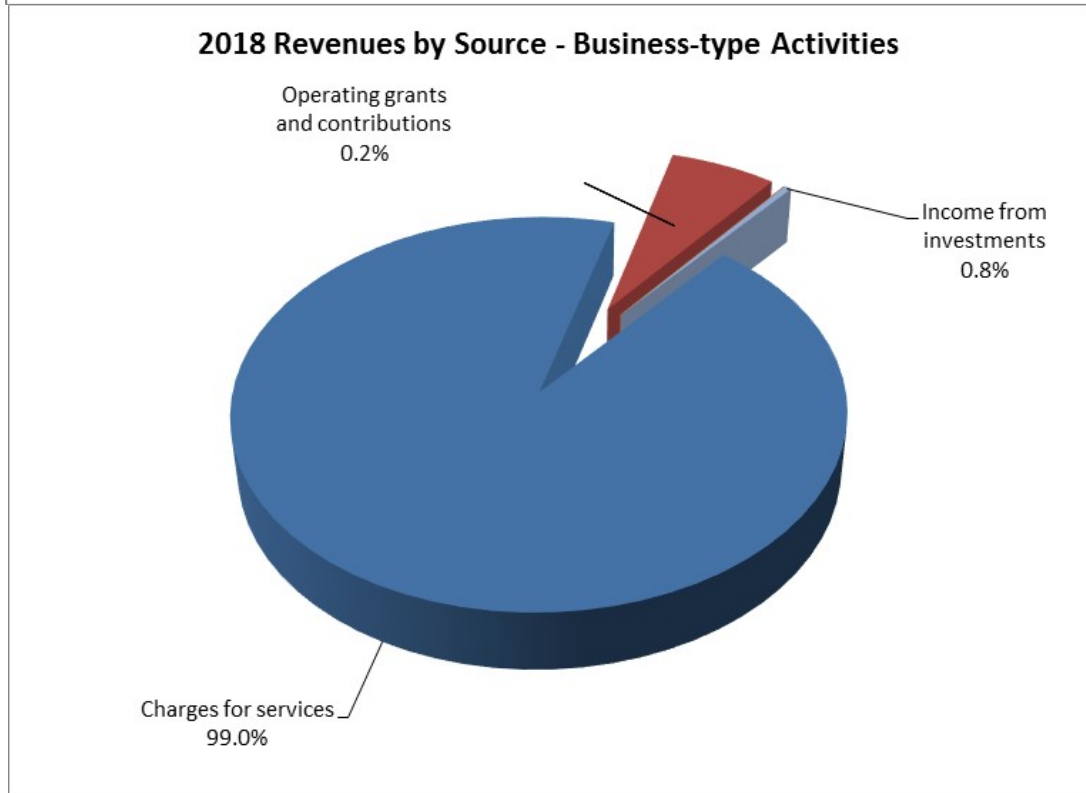
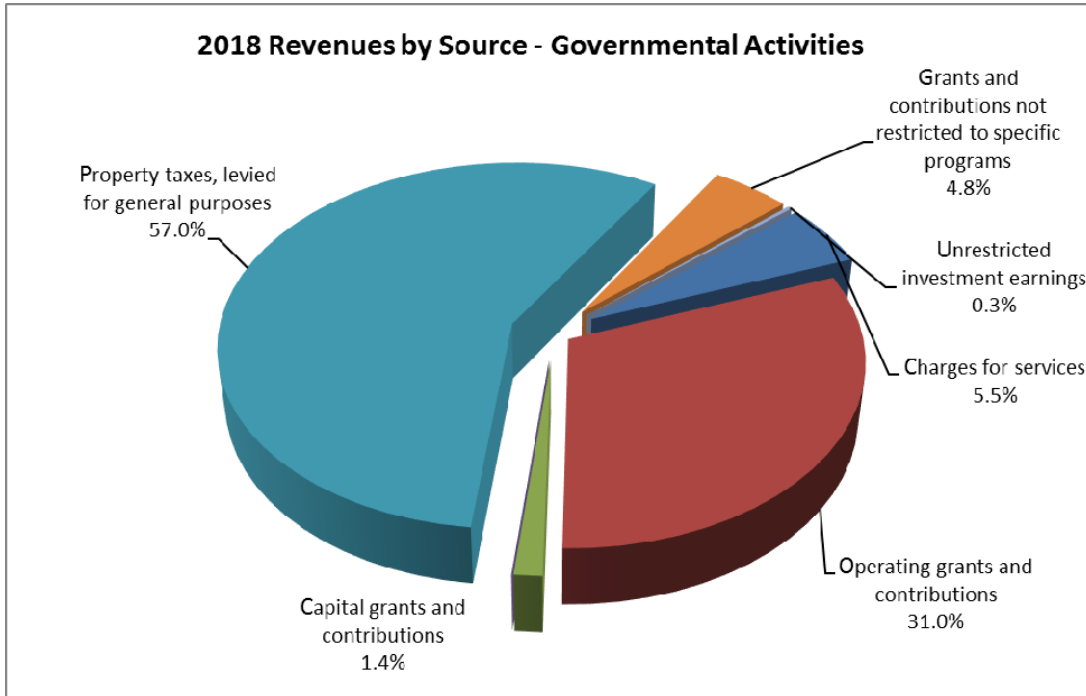
Changes in net position for the years ended June 30, 2018 and 2017 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2017 to conform with the current year presentation. The amounts reported for the year ended June 30, 2017 have not been adjusted for the implementation of GASB Statement No. 75, since the effects of the adjustments on the statements of changes in net position are not readily available.

	<u>June 30, 2018</u>			<u>June 30, 2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
	Governmental Activities	Business-type Activities	Total			
Revenues						
Program revenues:						
Charges for services	\$ 3,888,762	\$ 6,633,873	\$ 10,522,635	\$ 10,461,337	\$ 61,298	1%
Operating grants and contributions	22,135,704	11,740	22,147,444	21,410,913	736,531	3%
Capital grants and contributions	971,700	-	971,700	799,781	171,919	21%
General revenues:						
Property taxes, levied for general purposes	40,704,466	-	40,704,466	39,552,009	1,152,457	3%
Grants and contributions not restricted to specific programs	3,455,500	-	3,455,500	3,386,180	69,320	2%
Income from investments	190,915	50,671	241,586	108,482	133,104	123%
Total revenues	<u>71,347,047</u>	<u>6,696,284</u>	<u>78,043,331</u>	<u>75,718,702</u>	<u>2,324,629</u>	<u>3%</u>
Expenses						
General government	7,652,827	-	7,652,827	7,457,586	195,241	3%
Public safety	4,687,700	-	4,687,700	5,393,695	(705,995)	-13%
Public works	4,757,898	-	4,757,898	4,593,497	164,401	4%
Health and welfare	636,736	-	636,736	552,518	84,218	15%
Recreation and leisure	731,067	-	731,067	382,030	349,037	91%
Education	49,882,297	-	49,882,297	46,760,342	3,121,955	7%
Interest expense	911,505	-	911,505	976,552	(65,047)	-7%
Sewer department	-	6,076,153	6,076,153	5,566,804	509,349	9%
Water department	-	1,469,668	1,469,668	1,670,631	(200,963)	-12%
Total expenses	<u>69,260,030</u>	<u>7,545,821</u>	<u>76,805,851</u>	<u>73,353,655</u>	<u>3,452,196</u>	<u>5%</u>
Change in net position before transfers	2,087,017	(849,537)	1,237,480	2,365,047	1,127,567	48%
Loss on disposal of asset	-	(543,549)	(543,549)	-	(543,549)	100%
Change in net position	<u>\$ 2,087,017</u>	<u>\$ (1,393,086)</u>	<u>\$ 693,931</u>	<u>\$ 2,365,047</u>	<u>\$ 584,018</u>	<u>25%</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

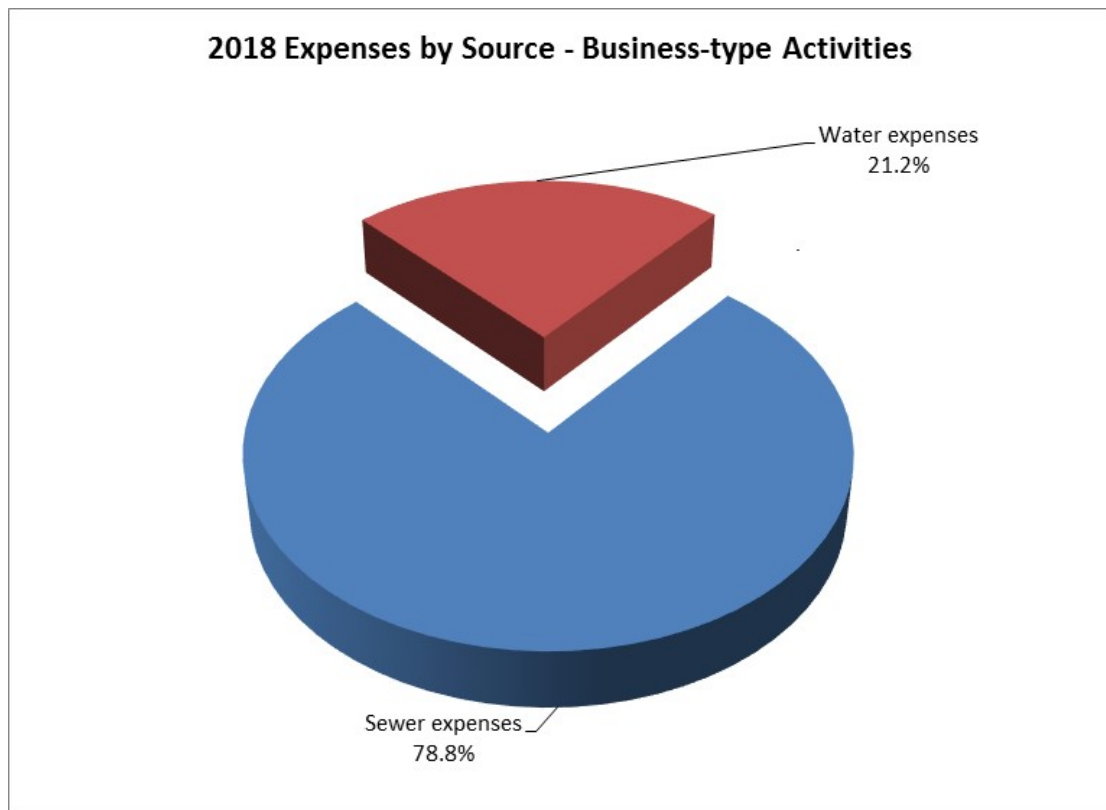
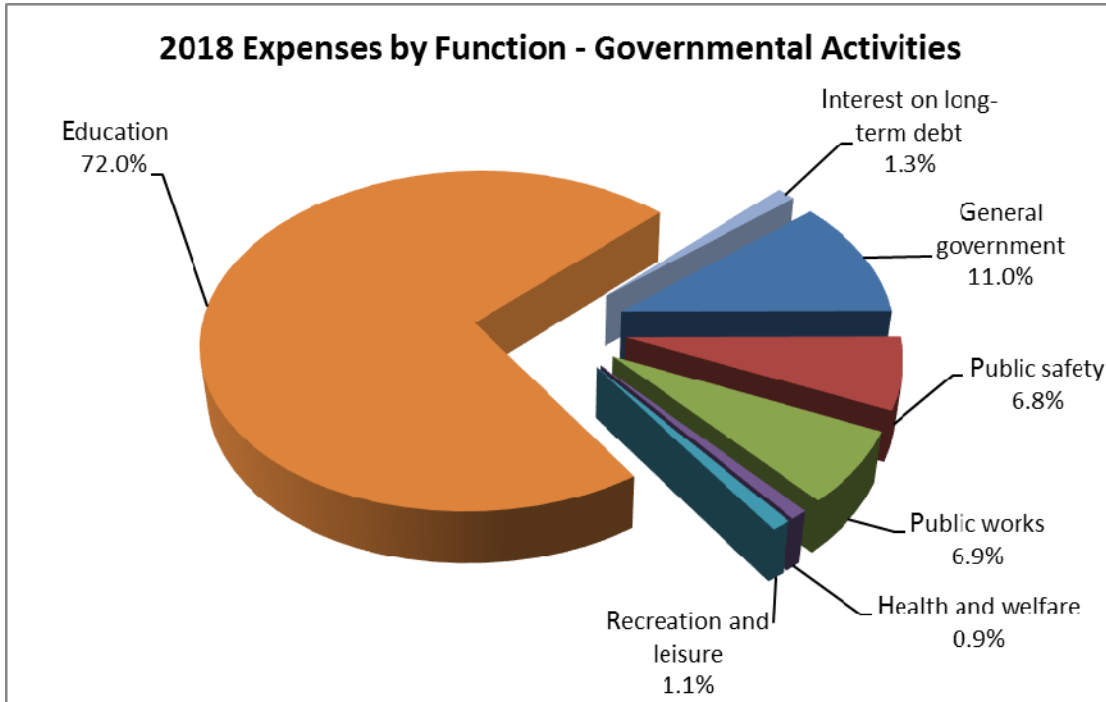
Change in Net Position (Continued)



TOWN OF MONTVILLE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (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 \$2,087,017. This increase is mainly attributable to the current year fund activity, less the capital asset and debt activity for the current year.

Business-type Activities

Business-type activities decreased the Town's net position by a current year change of \$1,393,086. The current year decrease was primarily caused by a loss on the disposal of an asset and the current year change in the net pension liability.

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 \$13,040,847.

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 \$9,866,374. 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 15.3% of total General Fund expenditures. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.9 months of General Fund operating expenditures and transfers out.

The fund balance of the Town's General Fund increased by \$1,195,949 during the current fiscal year, which was primarily due to proceeds received from an energy loan and capital lease financing entered into during the fiscal year.

Bonded Projects Fund

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,723,236. Expenditures were \$411,293 less than budgeted and total budgetary revenues were \$1,929,377 more than expected due primarily to favorable tax collections. During the year ended June 30, 2018, the Town Council approved additional appropriations of \$360,000 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, 2018 totaled \$145,364,211 (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 \$2,471,726 or 1.7%. This decrease consisted primarily of capital asset additions of approximately \$2.7 million, offset by depreciation expense of approximately \$4.3 million. Major capital asset events during the current fiscal year included the following:

- Outlays for Black Ash road in the amount of \$529,331
- Purchase of vehicles and radio systems for the Police Department totaling \$144,069
- Improvements to street lights throughout the Town totaling \$581,848

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, 2018

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,038,300	\$ 1,127,031	\$ 3,165,331
Construction in progress	1,254,559	-	1,254,559
Land improvements	1,334,135	-	1,334,135
Buildings and improvements	72,912,864	11,819,819	84,732,683
Infrastructure	12,105,809	-	12,105,809
Machinery and equipment	5,102,223	6,220,505	11,322,728
Distribution and collection systems	-	31,448,966	31,448,966
Totals	\$ 94,747,890	\$50,616,321	\$145,364,211

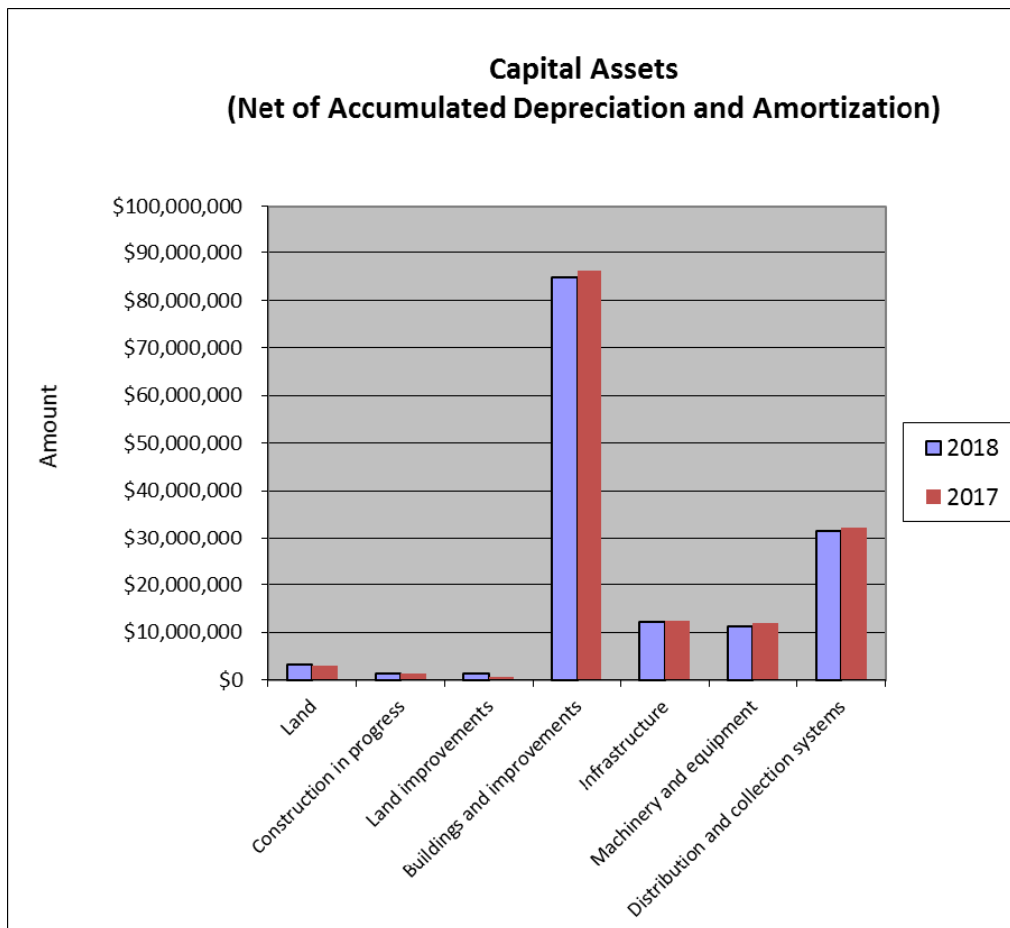
TOWN OF MONTVILLE, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

Town of Montville, Connecticut
Capital Assets, Net
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,976,030	\$ 1,127,031	\$ 3,103,061
Construction in progress	824,824	543,549	1,368,373
Land improvements	678,682	-	678,682
Buildings and improvements	73,978,843	12,234,486	86,213,329
Infrastructure	12,387,613	-	12,387,613
Machinery and equipment	5,389,445	6,475,629	11,865,074
Distribution and collection systems	-	32,219,805	32,219,805
Totals	\$ 95,235,437	\$ 52,600,500	\$ 147,835,937



Additional information on the Town's capital assets can be found in Note 4 of this report.

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

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

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 \$31,081,410. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$2,949,932 or 8.7% during the current fiscal year primarily due to scheduled principal repayments

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 \$290,009,433, which is significantly in excess of the Town's outstanding general obligation debt.

The following are tables of long-term bonded debt:

Town of Montville, Connecticut
Long-term Debt
June 30, 2018

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 28,293,300	\$ 1,373,700	\$29,667,000
Note payable	-	203,026	203,026
Capital lease obligations	1,119,064	92,320	1,211,384
Totals	\$ 29,412,364	\$ 1,669,046	\$31,081,410

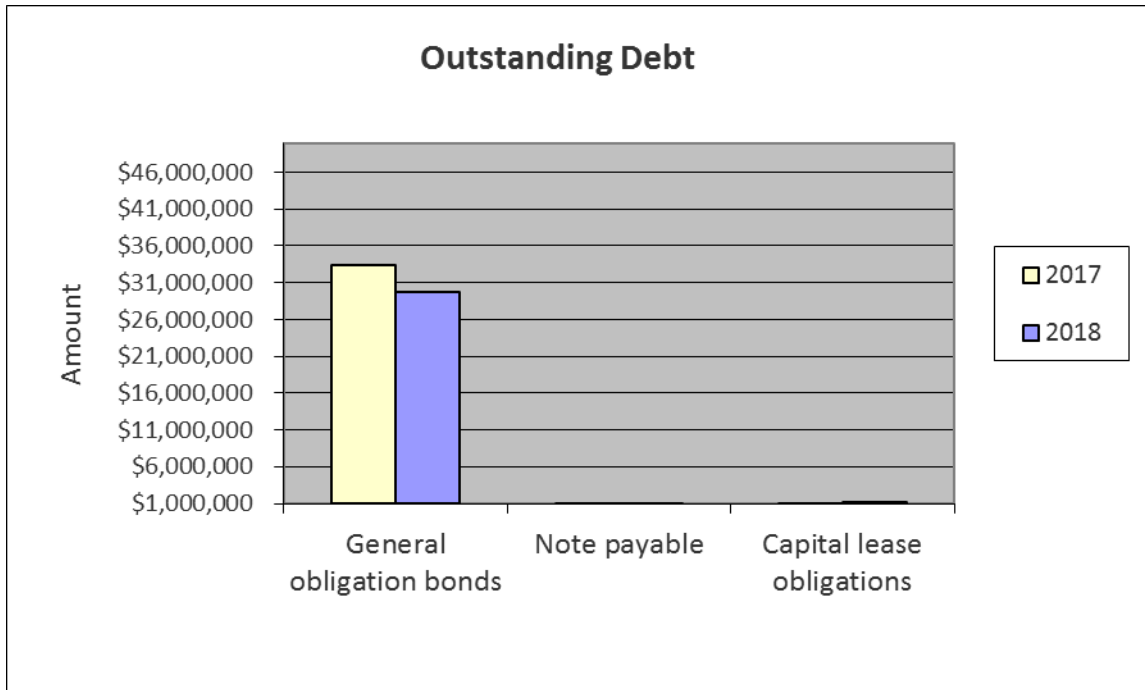
Town of Montville, Connecticut
Long-term Debt
June 30, 2017

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 31,723,800	\$ 1,669,200	\$33,393,000
Note payable	-	213,623	213,623
Capital lease obligations	424,719	-	424,719
Totals	\$ 32,148,519	\$ 1,882,823	\$34,031,342

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

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Long-term Debt



Additional information on the Town's long-term debt can be found in Note 8 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, 2018 was 3.7% compared to the state's average unemployment rate of 4.4% and the national unemployment rate of 4.0%.
- Unassigned fund balance of the General Fund totaled \$9,866,374 at June 30, 2018.
- 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 2019, 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 2019. The Town's fiscal year 2019 General Fund budget was approved on May 31, 2018. The fiscal year 2019 budget contemplated expenditures of \$59,353,650, an increase of \$1,702,781, or 2.95%, over the original fiscal year 2018 budgeted expenditures. The approved mill rate for the fiscal year 2019 budget is 31.73, an increase of .03, or .09% over the fiscal year 2018 mill rate of 31.70. No use of fund balance was designated for balancing the fiscal year 2019 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, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 16,686,157	\$ 10,289,435	\$ 26,975,592
Investments	10,000	410,367	420,367
Receivables:			
Property taxes, net	1,990,657	-	1,990,657
Interest on property taxes, net	789,625	-	789,625
Assessments and user charges receivable, net	44,752	1,327,062	1,371,814
Grants and contracts	111,362	-	111,362
Other	153,860	41,483	195,343
Internal balances	86,041	(86,041)	-
Escrow deposit	451,261	-	451,261
Other assets	8,461	-	8,461
Noncurrent assets:			
Receivables:			
Grants and contracts	1,163,251	-	1,163,251
Capital assets:			
Non-depreciable	3,292,859	1,127,031	4,419,890
Depreciable, net	91,455,031	49,489,290	140,944,321
Total assets	<u>116,243,317</u>	<u>62,598,627</u>	<u>178,841,944</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,162,115	31,139	1,193,254
Deferred charges on pension expense	763,553	127,541	891,094
Total deferred outflows of resources	<u>1,925,668</u>	<u>158,680</u>	<u>2,084,348</u>
LIABILITIES			
Accounts payable	993,729	334,653	1,328,382
Accrued liabilities:			
Salaries and benefits payable	370,287	17,267	387,554
Accrued interest	376,726	19,562	396,288
Claims payable	590,000	-	590,000
Unearned revenue	242,378	-	242,378
Noncurrent liabilities:			
Due within one year	4,136,338	343,143	4,479,481
Due in more than one year	36,793,349	3,531,942	40,325,291
Total liabilities	<u>43,502,807</u>	<u>4,246,567</u>	<u>47,749,374</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred charges on OPEB expense	50,321	-	50,321
NET POSITION			
Net investment in capital assets	65,028,328	48,227,159	113,255,487
Restricted for:			
Grants and donor restrictions	173,609	-	173,609
Unrestricted	9,413,920	10,283,581	19,697,501
Total net position	<u>\$ 74,615,857</u>	<u>\$ 58,510,740</u>	<u>\$ 133,126,597</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, 2018

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	\$ 7,451,836	\$ 976,587	\$ 18,419	\$ -	\$ (6,456,830)	\$ -	\$ (6,456,830)
Public safety	4,687,700	447,860	56,506	38,388	(4,144,946)	-	(4,144,946)
Public works	4,757,898	549,682	7,647	1,164,686	(3,035,883)	-	(3,035,883)
Health and welfare	636,736	64,778	348,080	-	(223,878)	-	(223,878)
Recreation and leisure	731,067	269,749	11,535	-	(449,783)	-	(449,783)
Education	49,882,297	619,185	21,693,517	-	(27,569,595)	-	(27,569,595)
Interest expense	911,505	-	-	-	(911,505)	-	(911,505)
Total governmental activities	<u>69,059,039</u>	<u>2,927,841</u>	<u>22,135,704</u>	<u>1,203,074</u>	<u>(42,792,420)</u>	<u>-</u>	<u>(42,792,420)</u>
Business-type activities:							
Sewer department	6,619,702	5,224,022	11,740	-	-	(1,383,940)	(1,383,940)
Water department	1,469,668	1,409,851	-	-	-	(59,817)	(59,817)
	<u>8,089,370</u>	<u>6,633,873</u>	<u>11,740</u>	<u>-</u>	<u>-</u>	<u>(1,443,757)</u>	<u>(1,443,757)</u>
Total primary government	<u>\$ 77,148,409</u>	<u>\$ 9,561,714</u>	<u>\$ 22,147,444</u>	<u>\$ 1,203,074</u>	<u>(42,792,420)</u>	<u>(1,443,757)</u>	<u>(44,236,177)</u>
General revenues:							
Property taxes, levied for general purposes					40,704,466	-	40,704,466
Grants and contributions not restricted to specific programs					3,984,056	-	3,984,056
Investment income					190,915	50,671	241,586
Total general revenues					<u>44,879,437</u>	<u>50,671</u>	<u>44,930,108</u>
					<u>2,087,017</u>	<u>(1,393,086)</u>	<u>693,931</u>
					74,290,949	59,903,826	134,194,775
					(1,762,109)	-	(1,762,109)
					<u>72,528,840</u>	<u>59,903,826</u>	<u>132,432,666</u>
					<u>\$ 74,615,857</u>	<u>\$ 58,510,740</u>	<u>\$ 133,126,597</u>

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

TOWN OF MONTVILLE, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Bonded Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,299,951	\$ -	\$ 332,157	\$ 13,632,108
Investments	-	-	10,000	10,000
Receivables:				
Property taxes, net	1,990,657	-	-	1,990,657
Interest on property taxes, net	789,625	-	-	789,625
Assessments and interest	44,752	-	-	44,752
Grants and contracts	-	1,163,251	111,362	1,274,613
Other	152,327	-	1,533	153,860
Due from other funds	1,136,172	-	2,684,030	3,820,202
Escrow deposit	451,261	-	-	451,261
Other	-	-	8,461	8,461
Total assets	<u>\$ 17,864,745</u>	<u>\$ 1,163,251</u>	<u>\$ 3,147,543</u>	<u>\$ 22,175,539</u>
LIABILITIES				
Accounts payable	\$ 653,089	\$ -	\$ 340,640	\$ 993,729
Salaries and benefits payable	365,882	-	4,405	370,287
Due to other funds	2,684,030	966,201	83,930	3,734,161
Unearned revenue	240	-	242,138	242,378
Total liabilities	<u>3,703,241</u>	<u>966,201</u>	<u>671,113</u>	<u>5,340,555</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes and interest	2,586,134	-	-	2,586,134
Unavailable revenue - assessments and interest	44,752	-	-	44,752
Unavailable revenue - school construction grant	-	1,163,251	-	1,163,251
Total deferred inflows of resources	<u>2,630,886</u>	<u>1,163,251</u>	<u>-</u>	<u>3,794,137</u>
FUND BALANCES				
Nonspendable	-	-	8,461	8,461
Restricted	593,151	-	31,719	624,870
Committed	717,923	-	2,496,487	3,214,410
Assigned	353,170	-	-	353,170
Unassigned	9,866,374	(966,201)	(60,237)	8,839,936
Total fund balances	<u>11,530,618</u>	<u>(966,201)</u>	<u>2,476,430</u>	<u>13,040,847</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,864,745</u>	<u>\$ 1,163,251</u>	<u>\$ 3,147,543</u>	<u>\$ 22,175,539</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, 2018

Total fund balance for governmental funds		\$ 13,040,847
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	\$ 2,038,300	
Construction in progress	1,254,559	
Land improvements	2,173,093	
Buildings and improvements	94,263,027	
Machinery and equipment	14,653,851	
Infrastructure	20,470,955	
Less accumulated depreciation and amortization	<u>(40,105,895)</u>	
Total capital assets, net		94,747,890
Some of the Town's taxes, assessments, interest and long-term grant receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
		3,794,137
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	(376,726)	
Long-term debt:		
Bonds payable, net	(29,481,588)	
Deferred charge on refunding	1,162,115	
Other long-term liabilities:		
Capital lease obligations	(1,119,064)	
Energy loan	(281,025)	
Landfill post-closure care liability	(114,000)	
Early retirement incentive	(203,034)	
Compensated absences	(1,305,508)	
Net pension liability	(6,671,615)	
Total OPEB liability	<u>(1,753,853)</u>	
Total long-term liabilities		(40,144,298)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are reported in the statements of net position.		
		713,232
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>2,464,049</u>
Net position of governmental activities		<u><u>\$ 74,615,857</u></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, 2018

	General Fund	Bonded Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 41,516,832	\$ -	\$ -	\$ 41,516,832
Grants and contracts	20,002,464	-	3,014,161	23,016,625
Charges for goods and services	3,219,298	-	571,861	3,791,159
Contributions and other	261,836	-	54,457	316,293
Investment income	184,214	-	23	184,237
Total revenues	<u>65,184,644</u>	<u>-</u>	<u>3,640,502</u>	<u>68,825,146</u>
EXPENDITURES				
Current:				
General government	7,471,486	-	27,283	7,498,769
Public safety	4,500,661	-	21,312	4,521,973
Public works	4,143,825	-	383,988	4,527,813
Health and welfare	237,638	-	400,717	638,355
Recreation and leisure	284,872	-	85,323	370,195
Miscellaneous	73,300	-	-	73,300
Education	42,052,559	-	2,115,847	44,168,406
Debt service:				
Principal payments	3,620,913	-	-	3,620,913
Interest and fiscal charges	923,365	-	-	923,365
Capital outlays	1,159,706	-	1,041,484	2,201,190
Total expenditures	<u>64,468,325</u>	<u>-</u>	<u>4,075,954</u>	<u>68,544,279</u>
Excess (deficiency) of revenues over expenditures	716,319	-	(435,452)	280,867
OTHER FINANCING SOURCES (USES)				
Capital lease financing	800,000	-	-	800,000
Energy loan financing	348,859	-	-	348,859
Transfers in	20,584	-	689,813	710,397
Transfers out	(689,813)	-	(20,584)	(710,397)
Total other financing sources (uses)	<u>479,630</u>	<u>-</u>	<u>669,229</u>	<u>1,148,859</u>
Net change in fund balances	1,195,949	-	233,777	1,429,726
Fund balances - beginning	<u>10,334,669</u>	<u>(966,201)</u>	<u>2,242,653</u>	<u>11,611,121</u>
Fund balances - ending	<u>\$ 11,530,618</u>	<u>\$ (966,201)</u>	<u>\$ 2,476,430</u>	<u>\$ 13,040,847</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, 2018

Net change in fund balances - total governmental funds \$ 1,429,726

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation and amortization expense exceeded capital outlays in the current period is as follows:

Expenditures for capital assets	\$ 2,023,670	
Depreciation and amortization expense	<u>(2,509,367)</u>	
Net adjustment		(485,697)

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. (1,850)

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:		
Energy loan	(348,859)	
Capital lease obligations	(800,000)	
Principal repayments:		
Bonds payable	3,430,500	
Capital lease obligations	105,655	
Energy loan	<u>67,834</u>	
Net adjustment		2,455,130

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	45,895	
Deferred charge on refunding	(142,726)	
Unamortized bond premium	125,613	
Landfill post-closure care liability	19,000	
Early retirement incentive	19,146	
Compensated absences	465,100	
Net pension liability	1,922,682	
Total OPEB liability	54,936	
Deferred charges on pension expense	(1,762,088)	
Deferred charges on OPEB expense	<u>(50,321)</u>	

697,237
(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, 2018

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.	\$ (818,643)
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>(1,188,886)</u>
Change in net position of governmental activities	<u><u>\$ 2,087,017</u></u>

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,986,969	\$ 1,302,466	\$ 10,289,435	\$ 3,054,049
Investments	410,367	-	410,367	-
Receivables:				
User charges, net	1,136,368	190,694	1,327,062	-
Other	41,483	-	41,483	-
Total current assets	<u>10,575,187</u>	<u>1,493,160</u>	<u>12,068,347</u>	<u>3,054,049</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	1,086,731	40,300	1,127,031	-
Depreciable, net	38,946,562	10,542,728	49,489,290	-
Total noncurrent assets	<u>40,033,293</u>	<u>10,583,028</u>	<u>50,616,321</u>	<u>-</u>
Total assets	<u>50,608,480</u>	<u>12,076,188</u>	<u>62,684,668</u>	<u>3,054,049</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	31,139	-	31,139	-
Deferred charges on pension expense	127,541	-	127,541	-
Total deferred outflows of resources	<u>158,680</u>	<u>-</u>	<u>158,680</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	244,003	90,650	334,653	-
Salaries and benefits payable	17,267	-	17,267	-
Accrued interest	19,562	-	19,562	-
Claims payable	-	-	-	590,000
Due to other funds	86,041	-	86,041	-
Total current liabilities	<u>366,873</u>	<u>90,650</u>	<u>457,523</u>	<u>590,000</u>
Non-current liabilities:				
Due within one year	343,143	-	343,143	-
Due in more than one year	2,845,948	685,994	3,531,942	-
Total non-current liabilities	<u>3,189,091</u>	<u>685,994</u>	<u>3,875,085</u>	<u>-</u>
Total liabilities	<u>3,555,964</u>	<u>776,644</u>	<u>4,332,608</u>	<u>590,000</u>
NET POSITION				
Net investment in capital assets	38,330,125	9,897,034	48,227,159	-
Unrestricted	8,881,071	1,402,510	10,283,581	2,464,049
Total net position	<u>\$ 47,211,196</u>	<u>\$ 11,299,544</u>	<u>\$ 58,510,740</u>	<u>\$ 2,464,049</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, 2018

	Business-type Activities			Governmental
	Sewer	Water	Total	Activities
				Internal
	Department	Department	Business-type	Service
			Activities	Fund
OPERATING REVENUES				
Charges for services and premiums	\$ 5,224,022	\$ 1,409,851	\$ 6,633,873	\$ 6,276,094
Grants and contracts	11,740	-	11,740	-
Total operating revenues	<u>5,235,762</u>	<u>1,409,851</u>	<u>6,645,613</u>	<u>6,276,094</u>
OPERATING EXPENSES				
Personnel services	792,580	48,000	840,580	-
Supplies and administration	1,463,500	1,039,094	2,502,594	-
Maintenance	394,690	4,728	399,418	-
Energy and transportation	852,684	72,128	924,812	-
Pension	700,671	-	700,671	-
Insurance and taxes	324,628	3,500	328,128	-
Claims incurred	-	-	-	6,699,572
Administration	-	-	-	772,085
Depreciation	1,494,570	302,218	1,796,788	-
Total operating expenses	<u>6,023,323</u>	<u>1,469,668</u>	<u>7,492,991</u>	<u>7,471,657</u>
Operating loss	(787,561)	(59,817)	(847,378)	(1,195,563)
NON-OPERATING INCOME (EXPENSE)				
Interest income	43,341	7,330	50,671	6,678
Interest expense	(52,830)	-	(52,830)	-
Loss on write-off of asset	(543,549)	-	(543,549)	-
Total non-operating income (expense)	<u>(553,038)</u>	<u>7,330</u>	<u>(545,708)</u>	<u>6,678</u>
Changes in net position	(1,340,599)	(52,487)	(1,393,086)	(1,188,885)
Net position - beginning	<u>48,551,795</u>	<u>11,352,031</u>	<u>59,903,826</u>	<u>3,652,934</u>
Net position - ending	<u>\$ 47,211,196</u>	<u>\$ 11,299,544</u>	<u>\$ 58,510,740</u>	<u>\$ 2,464,049</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, 2018

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for the following:				
Customers and users	\$ 5,040,668	\$ 1,374,511	\$ 6,415,179	\$ 6,276,094
Intergovernmental	11,740	-	11,740	-
Cash paid for the following:				
Personnel services	(565,043)	(48,000)	(613,043)	-
Supplies and administration	(1,485,021)	(1,171,420)	(2,656,441)	(772,085)
Maintenance	(394,690)	(4,728)	(399,418)	-
Energy and transportation	(852,684)	(72,127)	(924,811)	-
Insurance and taxes	(574,015)	(3,500)	(577,515)	-
Benefits and claims	-	-	-	(6,632,572)
Net cash provided by (used in) operating activities	<u>1,180,955</u>	<u>74,736</u>	<u>1,255,691</u>	<u>(1,128,563)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(309,686)	(8,588)	(318,274)	-
Payments collected on long-term receivables	46,870	218,274	265,144	-
Interest earned	43,341	-	43,341	-
Interest paid on capital debt	(61,315)	-	(61,315)	-
Principal paid on capital debt	(213,777)	(242,465)	(456,242)	-
Net cash used in capital and related financing activities	<u>(494,567)</u>	<u>(32,779)</u>	<u>(527,346)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	2,008,892	102,168	2,111,060	-
Interest income	-	7,330	7,330	6,678
Net cash provided by investing activities	<u>2,008,892</u>	<u>109,498</u>	<u>2,118,390</u>	<u>6,678</u>
Net increase (decrease) in cash and cash equivalents	2,695,280	151,455	2,846,735	(1,121,885)
Cash and cash equivalents, beginning of year	<u>6,291,689</u>	<u>1,151,011</u>	<u>7,442,700</u>	<u>4,175,934</u>
Cash and cash equivalents, end of year	<u>\$ 8,986,969</u>	<u>\$ 1,302,466</u>	<u>\$ 10,289,435</u>	<u>\$ 3,054,049</u>
RECONCILIATION OF OPERATING LOSS TO				
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating loss	\$ (787,561)	\$ (59,817)	\$ (847,378)	\$ (1,195,563)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation expense	1,494,570	302,218	1,796,788	-
Changes in assets and liabilities:				
Increase in user charges receivable	(183,354)	(35,340)	(218,694)	-
Increase (decrease) in accounts payable	(21,447)	(46,418)	(67,865)	67,000
Increase in accrued liabilities	903	-	903	-
Increase in compensated absences	4,705	-	4,705	-
Increase (decrease) in due to other funds	69,985	(85,907)	(15,922)	-
Increase in net pension liability and deferred outflows/inflows	603,154	-	603,154	-
Net cash provided by (used in) operating activities	<u>\$ 1,180,955</u>	<u>\$ 74,736</u>	<u>\$ 1,255,691</u>	<u>\$ (1,128,563)</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, 2018

	Private Purpose Trust Fund - School Scholarships	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 61,935	\$ 451,239
Investments:		
Certificates of deposit	122,276	52,618
Mutual funds	289,592	-
Total assets	473,803	\$ 503,857
LIABILITIES		
Due to student groups	-	\$ 350,727
Due to others	-	153,130
Total liabilities	-	\$ 503,857
NET POSITION		
Held in trust for scholarship benefits	\$ 473,803	

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, 2018

	Private Purpose Trust Fund - School Scholarships
ADDITIONS	
Investment earnings:	
Interest	\$ 10,581
Net increase in the fair value of investments	13,795
Total investment income	24,376
Total additions	24,376
DEDUCTIONS	
Awards expense	10,918
Administrative expenses	88
Total deductions	11,006
Change in net position	13,370
Net position - beginning	460,433
Net position - ending	\$ 473,803

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - 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, 2018

NOTE 1 - 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, 2018

NOTE 1 - 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, 2018

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

Implementation of Accounting Standards

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the Town's financial statements.

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures for post-employment benefits other than pensions. This standard identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this statement provides for certain required supplementary information and note disclosures about post-employment benefits other than pensions.

The Town has reported the following cumulative effect of applying GASB Statement No. 75 as an adjustment of beginning net position as of July 1, 2017.

	Governmental Activities
Net position - beginning, as originally reported	\$ 74,290,949
Adjustment to remove net other post-employment benefit obligation recognized under GASB Statement No. 45	46,680
Adjustment to record total other post-employment liability recognized under GASB Statement No. 75	<u>(1,808,789)</u>
	<u>(1,762,109)</u>
Net position - beginning, as adjusted	<u>\$ 72,528,840</u>

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

Cash and 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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

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

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

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 \$291,000 and \$227,000, respectively, as of June 30, 2018.

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 \$305,000 and \$1,600, respectively, as of June 30, 2018.

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

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

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

Capital Assets *(Continued)*

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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Town reports deferred pension expense and deferred charges on refunding in the government-wide statement of net position. Deferred pension expenses resulted from changes in the components of the Town's net pension liability and are being amortized as a component of pension expense on a systematic and rational basis. Deferred charges on refunding resulted from the difference in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds.

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Town reports unavailable revenue from property taxes and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town also reports deferred charges on OPEB expense in the government-wide statement of net position, which resulted from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

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

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

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.

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 1 - 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)*

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.

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 12% and 16% of the Town's General Fund budget. Two-thirds vote of the entire Town Council is required to decrease total fund balance below 12%. Unassigned fund balance in the General Fund as of June 30, 2018 represents 17.01% of the Town's final General Fund budget.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

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

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.

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash and cash equivalents as of June 30, 2018 is as follows:

Government-wide statement of net position	\$ 26,975,592
Statement of fiduciary net position	<u>513,174</u>
	27,488,766
Add: certificates of deposit classified as investments	595,261
Less: cash equivalents considered investments for disclosure purposes	<u>(4,398,135)</u>
	<u><u>\$ 23,685,892</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, 2018, \$24,767,889 of the Town's bank balance of \$23,511,890 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 21,160,701
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>2,351,189</u>
	<u><u>\$ 23,511,890</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, 2018 is as follows:

Government-wide statement of net position	\$ 420,367
Statement of fiduciary net position	<u>464,486</u>
	884,853
Add: cash equivalents considered investments for disclosure purposes	4,398,135
Less: certificates of deposit classified as investments	<u>(595,261)</u>
	<u><u>\$ 4,687,727</u></u>

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 JUNE 30, 2018

NOTE 2 - CASH DEPOSITS AND 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:

<u>Investment type</u>	<u>Valuation Basis</u>	<u>Credit Rating</u>	<u>Value</u>	<u>Investment Maturities (In Years) Less Than 1</u>
Debt Securities:				
<i>Government-wide statement of net position:</i>				
Short-Term Investment Fund	Net Asset Value	AAA	\$ 4,398,135	<u>\$ 4,398,135</u>
Other investments:				
<i>Statement of fiduciary net position:</i>				
Mutual funds	Fair Value		<u>289,592</u>	
			<u>\$ 4,687,727</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.

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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2018, 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, 2018, 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	\$ 121,418	41.9%
UBS Financial Services, Inc.	Putnam Fund for Growth & Income Mutual Fund	62,002	21.4%
UBS Financial Services, Inc.	Pace Large Co Value Equity Investment Mutual Fund	51,628	17.8%
Fidelity Investments	Fidelity Asset Manager 50% Mutual Fund	33,051	11.4%

NOTE 3 - 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, 2018, by level within the fair value hierarchy are presented in the table below.

<u>Financial Assets</u> <u>Measured at Fair Value</u>	<u>Prices in</u> <u>Active</u> <u>Market</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>	<u>Total</u>
Mutual funds	\$ 289,592	-	-	\$ 289,592

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2018 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,976,030	\$ 62,270	\$ -	\$ 2,038,300
Construction in progress	824,824	747,986	(318,251)	1,254,559
Total capital assets, not being depreciated	<u>2,800,854</u>	<u>810,256</u>	<u>(318,251)</u>	<u>3,292,859</u>
Capital assets, being depreciated:				
Land improvements	1,472,581	700,512	-	2,173,093
Buildings and improvements	93,879,540	383,487	-	94,263,027
Machinery and equipment	14,391,647	447,666	(185,462)	14,653,851
Infrastructure	20,470,955	-	-	20,470,955
Total capital assets, being depreciated	<u>130,214,723</u>	<u>1,531,665</u>	<u>(185,462)</u>	<u>131,560,926</u>
Less accumulated depreciation and amortization for:				
Land improvements	793,899	45,059	-	838,958
Buildings and improvements	19,900,697	1,449,466	-	21,350,163
Machinery and equipment	9,002,202	733,038	(183,612)	9,551,628
Infrastructure	8,083,342	281,804	-	8,365,146
Total accumulated depreciation and amortization	<u>37,780,140</u>	<u>2,509,367</u>	<u>(183,612)</u>	<u>40,105,895</u>
Total capital assets, being depreciated, net	<u>92,434,583</u>	<u>(977,702)</u>	<u>(1,850)</u>	<u>91,455,031</u>
Governmental activities capital assets, net	<u>\$ 95,235,437</u>	<u>\$ (167,446)</u>	<u>\$ (320,101)</u>	<u>\$ 94,747,890</u>

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

Governmental Activities:	
General government	\$ 263,491
Public safety	298,034
Public works	489,049
Recreation and leisure	50,143
Education	<u>1,408,650</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 2,509,367</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2018 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	543,549	-	(543,549)	-
Total capital assets, not being depreciated	<u>1,670,580</u>	<u>-</u>	<u>(543,549)</u>	<u>1,127,031</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	<u>15,114,777</u>	<u>356,658</u>	<u>(18,203)</u>	<u>15,453,232</u>
Total capital assets, being depreciated	<u>86,464,514</u>	<u>356,658</u>	<u>(18,203)</u>	<u>86,802,969</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	7,627,928	414,667	-	8,042,595
Distribution and collection systems	19,267,518	770,839	-	20,038,357
Machinery and equipment	<u>8,639,148</u>	<u>611,282</u>	<u>(17,703)</u>	<u>9,232,727</u>
Total accumulated depreciation and amortization	<u>35,534,594</u>	<u>1,796,788</u>	<u>(17,703)</u>	<u>37,313,679</u>
Total capital assets, being depreciated, net	<u>50,929,920</u>	<u>(1,440,130)</u>	<u>(500)</u>	<u>49,489,290</u>
Business-type activities capital assets, net	<u>\$ 52,600,500</u>	<u>\$ (1,440,130)</u>	<u>\$ (544,049)</u>	<u>\$ 50,616,321</u>

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

Business-type Activities:	
Sewer department	\$ 1,494,570
Water department	<u>302,218</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 1,796,788</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2018 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General Fund	Bonded Projects Fund	\$ 966,201
	Nonmajor governmental funds	83,930
	Sewer Department	86,041
		1,136,172
Nonmajor governmental funds	General Fund	2,684,030
		\$ 3,820,202

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 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Transfers In	Transfers Out	Amount
Governmental Funds		
Nonmajor governmental funds	General Fund	\$ 689,813
General Fund	Nonmajor governmental funds	20,584
		\$ 710,397

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, 2018

NOTE 7 - FUND BALANCE

The various components of fund balance at June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Bonded Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ -	\$ -	\$ 8,461	\$ 8,461
Restricted for:				
Capital purposes	511,286	-	-	511,286
External - donations	11,951	-	31,719	43,670
Education	69,914	-	-	69,914
Committed to:				
Revaluation	12,700	-	-	12,700
Education carryover	93,569	-	-	93,569
Public safety - severance	31,500	-	-	31,500
General government	-	-	17,436	17,436
Health and welfare	-	-	195,236	195,236
Recreation	-	-	70,682	70,682
Cafeteria operations	-	-	293,881	293,881
Capital projects	580,154	-	1,919,252	2,499,406
Assigned to:				
General government encumbrances	8,823	-	-	8,823
Public safety encumbrances	2,745	-	-	2,745
Public works encumbrances	8,500	-	-	8,500
Education encumbrances	321,482	-	-	321,482
Capital outlays encumbrances	11,620	-	-	11,620
Unassigned	9,866,374	(966,201)	(60,237)	8,839,936
	<u>\$ 11,530,618</u>	<u>\$ (966,201)</u>	<u>\$ 2,476,430</u>	<u>\$ 13,040,847</u>

Deficit Fund Balances

The following funds have deficit fund balances as of June 30, 2018, which do not constitute a violation of statutory provisions:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Bonded Projects Fund	\$ 996,201
Transfer Station Fund	60,000
Bridges Fund	237

The deficits are expected to be eliminated by future revenue sources, state grant reimbursements, and/or appropriations from the General Fund.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

Governmental Activities	Beginning Balance <i>(As Adjusted)</i>	Increases	Decreases	Ending	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 31,723,800	\$ -	\$ (3,430,500)	\$ 28,293,300	\$ 3,424,300
Unamortized premium	1,313,900	-	(125,611)	1,188,289	-
Total bonds payable	<u>33,037,700</u>	-	<u>(3,556,111)</u>	29,481,589	3,424,300
Other liabilities:					
Energy loan	-	348,859	(67,834)	281,025	116,280
Capital lease obligations	424,719	800,000	(105,655)	1,119,064	173,043
Landfill post-closure care liability	133,000	-	(19,000)	114,000	19,000
Early retirement incentive	222,180	245,897	(265,043)	203,034	142,604
Compensated absences	1,770,608	-	(465,100)	1,305,508	261,111
Net pension liability	8,594,297	-	(1,922,683)	6,671,614	-
Total OPEB liability	<u>1,808,789</u>	-	<u>(54,936)</u>	<u>1,753,853</u>	-
	<u>\$ 45,991,293</u>	<u>\$ 1,394,756</u>	<u>\$ (6,456,362)</u>	<u>\$ 40,929,687</u>	<u>\$ 4,136,338</u>
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 1,669,200	\$ -	\$ (295,500)	\$ 1,373,700	\$ 293,700
Unamortized premium	74,584	-	(9,323)	65,261	-
Total bonds payable	<u>1,743,784</u>	-	<u>(304,823)</u>	1,438,961	293,700
Other liabilities:					
Note payable	213,623	-	(10,597)	203,026	10,811
Capital lease obligations	-	116,478	(24,158)	92,320	21,832
Contract payable	928,459	-	(242,465)	685,994	-
Compensated absences	79,309	4,664	-	83,973	16,800
Net pension liability	919,527	451,284	-	1,370,811	-
	<u>\$ 3,884,702</u>	<u>\$ 572,426</u>	<u>\$ (582,043)</u>	<u>\$ 3,875,085</u>	<u>\$ 343,143</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES (Continued)

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.

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2018 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 - Series A	2010	2,212,600	2.0% - 4.0%	2022	\$ 906,300
General Obligation Bonds - Series B	2010	7,890,000	3.0% - 5.0%	2025	4,675,000
General Obligation Bonds	2013	10,625,000	2.125% - 5.0%	2033	8,205,000
General Obligation Refunding Bonds	2013	9,195,000	1.0% - 4.0%	2027	8,920,000
General Obligation Refunding Bonds	2015	5,849,000	1.97%	2033	5,587,000
					<u>\$ 28,293,300</u>
Business-type Activities					
Bonds Payable					
General Obligation Bonds	1999	\$ 1,350,000	6.60%	2019	\$ 70,000
General Obligation Refunding Bonds	2010	1,042,400	2.0% - 4.0%	2019	133,700
General Obligation Bonds	2013	1,500,000	2.125% - 5.0%	2033	1,170,000
					<u>\$ 1,373,700</u>

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2018:

<u>Year ending</u> <u>June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,424,300	\$ 799,930	\$ 4,224,230
2020	3,739,000	679,276	4,418,276
2021	3,854,000	563,299	4,417,299
2022	3,360,000	457,325	3,817,325
2023	3,122,000	353,128	3,475,128
2024-2028	8,644,000	752,844	9,396,844
2029-2033	2,150,000	161,250	2,311,250
	<u>\$ 28,293,300</u>	<u>\$ 3,767,052</u>	<u>\$ 32,060,352</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES *(Continued)*

General Obligation Bonds *(Continued)*

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2019	\$ 293,700	\$ 42,932	\$ 336,632
2020	90,000	32,538	122,538
2021	90,000	28,938	118,938
2022	90,000	25,338	115,338
2023	90,000	21,648	111,648
2024-2028	370,000	76,995	446,995
2029-2033	350,000	26,250	376,250
	<u>\$ 1,373,700</u>	<u>\$ 254,639</u>	<u>\$ 1,628,339</u>

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 \$290,009,433 as of June 30, 2018. 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, 2018.

Authorized, Unissued Bonds

As of June 30, 2018, the Town had authorized but unissued bonds totaling \$3,900,500.

Energy Loan Payable

The Town currently has an outstanding loan with its utility provider to finance a portion of the costs for energy conservation lighting and other related items for street lights throughout the Town. The loan is non-interest bearing with total monthly principal payments of \$9,690 through November 2020.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 8 - 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 2033. 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, 2018:

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2019	\$ 10,811	\$ 3,962	\$ 14,773
2020	11,029	3,743	14,772
2021	11,252	3,521	14,773
2022	11,479	3,924	15,403
2023	11,710	3,062	14,772
2024-2028	62,195	11,670	73,865
2029-2033	68,731	5,133	73,864
2034	15,819	185	16,004
	\$ 203,026	\$ 35,200	\$ 238,226

Capital Lease Obligations

A summary of assets acquired through capital lease is as follows as of June 30, 2018:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 1,077,761	\$ 116,478
Less: accumulated amortization	410,794	3,236
	\$ 666,967	\$ 113,242

Governmental activities amortization expense relative to leased equipment under the capital lease totaled \$136,653 for the year ended June 30, 2018. Business-type activities amortization expense relative to leased equipment under the capital lease totaled \$3,236 for the year ended June 30, 2018. Such amounts are included in depreciation and amortization expense disclosed in Note 4.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 8 - 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, 2018 is as follows:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 195,929	\$ 25,265
2020	193,554	25,265
2021	190,191	25,265
2022	187,837	25,264
2023	185,422	-
Thereafter	250,728	-
Total minimum lease payments	1,203,661	101,059
Less: amount representing interest	(84,597)	(8,739)
Present value of minimum lease payments	<u>\$ 1,119,064</u>	<u>\$ 92,320</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. Amounts payable total \$685,994 as of June 30, 2018. The maturity date of the entire contract is September 2018.

Landfill Post-Closure Care Liability

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 6 years total \$114,000 at June 30, 2018. 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 2021. The amount paid from General Fund appropriations during the year ended June 30, 2018 was \$265,043.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 9 - 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, 2018

NOTE 9 - 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 11.74% of the annual Town employees' covered payroll and 17.13% 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 year ended June 30, 2018 was \$1,417,446 and was equal to the required contribution for the 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, 2018

NOTE 9 - 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, 2017 was \$248.200 million, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled \$8,042,425 or approximately 3.24% 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, 2016. The portion of the net pension liability associated with the Town was based on the 2016 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 \$1,370,811, 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 \$6,671,614, 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, 2016 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%, net of pension plan investment expense, including inflation

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, 2018

NOTE 9 - 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 (asset) as of June 30, 2018	\$ 19,821,558	\$ 8,042,425	\$ (1,872,986)

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, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System *(Continued)*

Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2018, the Town recognized pension expense related to the CMERS of \$1,976,815. At June 30, 2018, the Town reported its proportionate share of deferred outflows of resources related to the CMERS from the following source:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 232,392	\$ 26,059	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	513,666	109,762	(40,685)	(10,072)
Other	58,180	1,792	-	-
Total	\$ 804,238	\$ 137,613	\$ (40,685)	\$ (10,072)

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:

Year ended June 30,	Governmental Activities	Business-type Activities
2019	\$ 259,317	\$ 43,050
2020	578,716	111,334
2021	228,173	37,970
2022	(302,653)	(64,813)
	\$ 763,553	\$ 127,541

Connecticut State Teachers' Retirement System

Plan Description

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 that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Normal Retirement: Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit if 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derive from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years proceeding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

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

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per years of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, 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 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Administrative Expenses

Administrative costs of the plan are funded by the State.

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measure as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2018.

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2017 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$4,728,166 or 0.47% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective pension expense allocated to the Town totaled \$7,295,831. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net pension liability of participating employers for the TRS was approximately \$13.502 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$63,074,098 or approximately 0.47% of the total collective net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Actuarial Assumptions *(Continued)*

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

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income (Core)	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 JUNE 30, 2018

NOTE 9 - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Discount Rate

The discount rate used to measure the 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 the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Proportionate Share of the Collective Net Pension Liability

The following presents the proportionate share of the collective net pension liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town 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:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Town proportionate share of the net pension liability	\$ 78,950,171	\$ 63,074,098	\$ 49,651,872

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Board of Education Plan

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.

Benefits Provided

The OPEB Plan provides for medical, prescription, dental and life insurance benefits to eligible retirees, spouses and beneficiaries. 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:

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan *(Continued)*

Benefits Provided *(Continued)*

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.

Employees Covered by Benefit Terms

At July 1, 2016, plan membership consisted of the following:

Inactive plan members receiving benefits	82
Active plan members	247
	329

Total OPEB Liability

The Town’s total OPEB liability of \$1,753,853 was measured as of June 30, 2018. The total OPEB liability was measured as of June 30, 2018 using the Alternative Measurement Method.

Actuarial assumptions and other inputs – The total OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.87% as of June 30, 2018
2016 Medical Trend Rates	8.00%
2017 Medical Trend Rates	7.00%
Ultimate Medical Trend Rates	5.00%
Year Ultimate Medical Trend Rates Reached	2019
Payroll Increase	2.50%

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Index.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected with projection scale MP-2016.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan *(Continued)*

Changes in the Total OPEB Liability

Total OPEB liability	
Balance at June 30, 2017	\$ 1,808,789
Service cost	47,363
Interest	64,449
Changes in assumptions	(53,939)
Benefit payments, including refunds	<u>(112,809)</u>
Net change in total opeb liability	<u>(54,936)</u>
Balance at June 30, 2018	<u><u>\$ 1,753,853</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or higher (4.87%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.87%)</u>	<u>Current</u> <u>Discount</u> <u>(3.87%)</u>	<u>1% Increase</u> <u>(4.87%)</u>
Total OPEB liability	\$ 1,951,427	\$ 1,753,853	\$ 1,586,091

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00% decreasing to 4.00%) or higher (9.00% increasing to 6.00%) than the current healthcare cost trend rates:

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u> <u>(7.00% decreasing</u> <u>to 4.00%)</u>	<u>Current</u> <u>(8.00% decreasing</u> <u>to 5.00%)</u>	<u>1% Increase</u> <u>(9.00% increasing</u> <u>to 6.00%)</u>
Total OPEB liability	\$ 1,522,454	\$ 1,753,853	\$ 2,040,446

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan *(Continued)*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized OPEB expense of \$108,194. At June 30, 2018, the Town reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Changes in assumptions	<u>\$ 50,321</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	\$	(3,618)
2020		(3,618)
2021		(3,618)
2022		(3,618)
2023		(3,618)
Thereafter		<u>(32,231)</u>
	\$	<u>(50,321)</u>

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Contributions

Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through and annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2018.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2017.

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2017.

For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$93,063 or 0.47% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective OPEB expense allocated to the District totaled \$752,391. The District has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net OPEB liability of participating employers for the TRS was approximately \$3.475 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$16,234,458 or approximately 0.47% of the total collective net OPEB liability.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.75%
Salary increases	3.25% - 6.50%, including inflation	
Investment rate of return	2.75%, net of investment related expense	
Healthcare cost trend rates:		
Pre- Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022	
Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022	

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

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric 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
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 JUNE 30, 2018

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 3.56%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	1% Decrease (2.56%)	Current Discount (3.56%)	1% Increase (4.56%)
Town proportionate share of the net OPEB liability	\$ 19,565,121	\$ 16,234,458	\$ 13,615,597

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Town proportionate share of the net OPEB liability	\$ 13,366,816	\$ 16,234,458	\$ 20,095,387

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 JUNE 30, 2018

NOTE 11 - 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 2018, 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, 2018. Claims liabilities are recorded 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.

A summary of claims activity for the years ended June 30, 2017 and 2018 is as follows:

<u>Year Ended June 30</u>	<u>Claims Payable, Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable, End of Year</u>
2017	\$ 486,000	\$ 6,314,266	\$ 6,277,266	\$ 523,000
2018	523,000	6,699,572	6,632,572	590,000

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 12 - 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, 2018, the Town has recorded \$353,170 in encumbrances. Such encumbrances have been included as part assigned fund balance within the General Fund.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2018

NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting the Statement on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting the Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting the Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2018. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 39,985,282	\$ 39,985,282	\$ 41,516,832	\$ 1,531,550
Intergovernmental	14,981,955	14,981,955	15,107,345	125,390
Charges for services	2,424,684	2,424,684	2,565,209	140,525
Use of town money	62,000	62,000	193,912	131,912
Total revenues	<u>57,453,921</u>	<u>57,453,921</u>	<u>59,383,298</u>	<u>1,929,377</u>
EXPENDITURES				
Current:				
General government	7,017,090	7,151,189	7,053,038	(98,151)
Public safety	4,346,362	4,512,162	4,503,246	(8,916)
Public works	3,908,000	3,974,201	3,942,518	(31,683)
Health and welfare	175,550	191,550	190,825	(725)
Social services	34,770	34,770	34,226	(544)
Recreation and leisure	313,074	290,974	284,701	(6,273)
Miscellaneous	73,300	73,300	73,300	-
Education	36,660,619	36,660,619	36,399,944	(260,675)
Capital outlays	690,082	690,082	687,277	(2,805)
Debt service:				
Principal payments	3,508,657	3,508,657	3,507,136	(1,521)
Interest and fiscal charges	923,365	923,365	923,365	-
Total expenditures	<u>57,650,869</u>	<u>58,010,869</u>	<u>57,599,576</u>	<u>(411,293)</u>
Excess (deficiency) of revenues over expenditures	(196,948)	(556,948)	1,783,722	2,340,670
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000	20,584	10,584
Transfers out	-	-	(85,000)	(85,000)
Cancellation of prior year encumbrances	-	-	3,930	3,930
Appropriation of fund balance	186,948	546,948	-	(546,948)
Total other financing sources	<u>196,948</u>	<u>556,948</u>	<u>(60,486)</u>	<u>(617,434)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,723,236</u>	<u>\$ 1,723,236</u>

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Revenues from property taxes	\$ 39,622,282	\$ 39,622,282	\$ 40,543,555	\$ 921,273
Telephone access	55,000	55,000	44,314	(10,686)
Interest and lien fees	308,000	308,000	928,963	620,963
Total property taxes	<u>39,985,282</u>	<u>39,985,282</u>	<u>41,516,832</u>	<u>1,531,550</u>
INTERGOVERNMENTAL REVENUES				
State grants for school aid:				
ECS grant	10,936,376	10,936,376	10,997,033	60,657
Transportation	80,000	80,000	90,765	10,765
Special education	316,000	316,000	477,091	161,091
Adult education	32,767	32,767	35,000	2,233
Total state grants for school aid	<u>11,365,143</u>	<u>11,365,143</u>	<u>11,599,889</u>	<u>234,746</u>
State grants unspecified:				
In lieu of taxes - State property	1,079,480	1,079,480	1,082,647	3,167
Emergency management program	4,877	4,877	-	(4,877)
Tax relief for elderly	100,000	100,000	-	(100,000)
Tax relief for disabled	3,800	3,800	3,245	(555)
Tax relief for veterans	9,000	9,000	10,120	1,120
Municipal revenue sharing	881,541	881,541	881,541	-
MRSA Municipal Projects	528,644	528,644	528,644	-
Other grants	45,000	45,000	38,974	(6,026)
CT Fines reimbursement	12,000	12,000	9,815	(2,185)
Pequot funds	952,470	952,470	952,470	-
Total state grants unspecified	<u>3,616,812</u>	<u>3,616,812</u>	<u>3,507,456</u>	<u>(109,356)</u>
Total intergovernmental revenues	<u>14,981,955</u>	<u>14,981,955</u>	<u>15,107,345</u>	<u>125,390</u>
CHARGES FOR SERVICES				
Licenses and permits:				
Conveyance tax	185,000	185,000	202,746	17,746
Town clerk fees	120,000	120,000	113,933	(6,067)
Dog licenses	7,500	7,500	4,729	(2,771)
Dog services for Salem	11,185.00	11,185	14,259	3,074
Dog warden	2,000	2,000	2,055	55
Building department	230,000	230,000	183,566	(46,434)
Miscellaneous permits	15,000	15,000	12,247	(2,753)
Fire permits	45,000	45,000	59,285	14,285
Transfer station	158,500	158,500	176,149	17,649
Total licenses and permits	<u>774,185</u>	<u>774,185</u>	<u>768,969</u>	<u>(5,216)</u>
Revenue from other agencies:				
Planning and zoning board of appeals	9,000	9,000	13,996	4,996
Parks and recreation	110,240	110,240	136,695	26,455
Camp Oakdale rent	4,500	4,500	5,550	1,050
Fair oaks facility rental	1,500	1,500	1,460	(40)
Housing authority	29,620	29,620	28,556	(1,064)
Youth service program	48,139	48,139	53,064	4,925
Total revenue from other agencies	<u>202,999</u>	<u>202,999</u>	<u>239,321</u>	<u>36,322</u>

(Continued)

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 21,000	\$ 21,000	\$ 21,842	\$ 842
Tuition special education	100,000	100,000	114,481	14,481
School miscellaneous revenue	3,000	3,000	900	(2,100)
Personal property audits	5,000	5,000	-	(5,000)
Public works department	500	500	25	(475)
Commercial tipping fees	400,000	400,000	366,925	(33,075)
Copy money	1,000	1,000	1,043	43
Total charges for current services	<u>530,500</u>	<u>530,500</u>	<u>505,216</u>	<u>(25,284)</u>
Miscellaneous:				
St. Bernard's health service	20,000	20,000	19,566	(434)
Police reimbursement	185,000	185,000	352,987	167,987
Insurance reimbursement	65,000	65,000	59,188	(5,812)
Millstone reimbursement	15,000	15,000	31,468	16,468
Fire marshal private duty	5,000	5,000	150.00	(4,850)
All other miscellaneous	20,000	20,000	67,389	47,389
Sale of assets	100,000	100,000	14,175	(85,825)
Verizon	6,000	6,000	6,780	780
Mohegan contributions	500,000	500,000	500,000	-
Engineering review reimbursement	1,000	1,000	-	(1,000)
Total miscellaneous	<u>917,000</u>	<u>917,000</u>	<u>1,051,703</u>	<u>134,703</u>
Total charges for services	<u>2,424,684</u>	<u>2,424,684</u>	<u>2,565,209</u>	<u>140,525</u>
REVENUE FROM USE OF TOWN MONEY				
Investment interest	50,000	50,000	184,214	134,214
Sewer assessments	12,000	12,000	9,698	(2,302)
Total revenue from use of Town money	<u>62,000</u>	<u>62,000</u>	<u>193,912</u>	<u>131,912</u>
Total revenues	<u>57,453,921</u>	<u>57,453,921</u>	<u>59,383,298</u>	<u>1,929,377</u>
OTHER FINANCING SOURCES				
Cancellation of prior year encumbrances	-	-	3,930	3,930
Appropriation of fund balance	186,948	546,948	-	(546,948)
Transfers in	-	-	20,584	20,584
Transfers in WPCA Financial Services	10,000	10,000	-	(10,000)
Total other financing sources	<u>196,948</u>	<u>556,948</u>	<u>24,514</u>	<u>(532,434)</u>
Total revenues and other financing sources	<u>\$ 57,650,869</u>	<u>\$ 58,010,869</u>	<u>\$ 59,407,812</u>	<u>\$ 1,396,943</u>

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
Mayor:				
Human services	\$ 137,600	\$ 137,600	\$ 137,355	\$ (245)
Contractual services	49,600	47,571	46,875	(696)
Commodities	9,000	8,933	7,396	(1,537)
Total mayor	<u>196,200</u>	<u>194,104</u>	<u>191,626</u>	<u>(2,478)</u>
Town council:				
Human services	18,500	18,500	16,711	(1,789)
Commodities	12,300	12,300	8,969	(3,331)
Total town council	<u>30,800</u>	<u>30,800</u>	<u>25,680</u>	<u>(5,120)</u>
Town attorney	<u>235,000</u>	<u>127,900</u>	<u>106,103</u>	<u>(21,797)</u>
Town hall / central services:				
Contractual services	188,000	202,265	202,253	(12)
Commodities	61,000	49,715	49,710	(5)
Capital	1,500	115	109	(6)
Total town hall / central services	<u>250,500</u>	<u>252,095</u>	<u>252,072</u>	<u>(23)</u>
Probate court	<u>14,846</u>	<u>15,396</u>	<u>15,394</u>	<u>(2)</u>
Finance department:				
Human services	576,600	579,135	579,098	(37)
Contractual services	80,500	82,800	82,654	(146)
Commodities	10,500	6,865	6,747	(118)
Total finance department	<u>667,600</u>	<u>668,800</u>	<u>668,499</u>	<u>(301)</u>
Insurance and taxes	<u>3,765,575</u>	<u>4,053,975</u>	<u>4,049,455</u>	<u>(4,520)</u>
Board of assessment appeals:				
Human services	250	250	52	(198)
Commodities	100	100	-	(100)
Total board of assessment appeals	<u>350</u>	<u>350</u>	<u>52</u>	<u>(298)</u>
Auditor	<u>18,350</u>	<u>18,350</u>	<u>17,850</u>	<u>(500)</u>
Other	<u>220,000</u>	<u>40,550</u>	<u>35,600</u>	<u>(4,950)</u>
Town clerk:				
Human services	135,900	137,070	136,765	(305)
Contractual services	275	425	345	(80)
Commodities	22,750	21,430	11,602	(9,828)
Total town clerk	<u>158,925</u>	<u>158,925</u>	<u>148,712</u>	<u>(10,213)</u>

(Continued)

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Registrar of voters:				
Human services	\$ 36,536	\$ 36,606	\$ 36,598	\$ (8)
Contractual services	230	256	256	-
Commodities	3,200	3,104	1,702	(1,402)
Total registrar of voters	<u>39,966</u>	<u>39,966</u>	<u>38,556</u>	<u>(1,410)</u>
Elections / referendum:				
Contractual services	25,000	12,900	12,508	(392)
Commodities	11,700	4,800	2,109	(2,691)
Total elections / referendum	<u>36,700</u>	<u>17,700</u>	<u>14,617</u>	<u>(3,083)</u>
Land use department:				
Human services	258,500	249,850	248,443	(1,407)
Contractual services	600	600	384	(216)
Commodities	21,500	20,150	14,947	(5,203)
Capital	1,600	1,600	1,480	(120)
Total land use department	<u>282,200</u>	<u>272,200</u>	<u>265,254</u>	<u>(6,946)</u>
Inlands wetlands commission:				
Human services	800	800	479	(321)
Commodities	250	250	98	(152)
Total inlands wetlands commission	<u>1,050</u>	<u>1,050</u>	<u>577</u>	<u>(473)</u>
Economic development commission:				
Human services	500	800	763	(37)
Commodities	350	350	243	(107)
Total economic development commission	<u>850</u>	<u>1,150</u>	<u>1,006</u>	<u>(144)</u>
Zoning board of appeals	<u>600</u>	<u>300</u>	<u>148</u>	<u>(152)</u>
Senior Center:				
Human services	157,950	162,371	162,139	(232)
Contractual services	37,050	31,842	28,848	(2,994)
Commodities	16,765	17,552	17,477	(75)
Total senior center	<u>211,765</u>	<u>211,765</u>	<u>208,464</u>	<u>(3,301)</u>
Youth services:				
Human services	177,000	174,900	171,110	(3,790)
Contractual services	22,738	22,608	17,063	(5,545)
Commodities	4,900	7,130	4,827	(2,303)
Total youth services	<u>204,638</u>	<u>204,638</u>	<u>193,000</u>	<u>(11,638)</u>

(Continued)

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 265,000	\$ 259,855	\$ (5,145)
Building inspector:				
Human services	195,200	197,200	197,118	(82)
Contractual services	450	200	195	(5)
Commodities	3,250	1,900	1,609	(291)
Capital	400	-	-	-
Total building inspector	<u>199,300</u>	<u>199,300</u>	<u>198,922</u>	<u>(378)</u>
Information technology:				
Human services	134,000	134,000	132,790	(1,210)
Contractual services	237,400	237,426	224,847	(12,579)
Commodities	5,475	5,449	3,959	(1,490)
Total information technology	<u>376,875</u>	<u>376,875</u>	<u>361,596</u>	<u>(15,279)</u>
Total general government	<u>7,017,090</u>	<u>7,151,189</u>	<u>7,053,038</u>	<u>(98,151)</u>
PUBLIC SAFETY				
Emergency management:				
Human services	83,164	94,971	94,928	(43)
Contractual services	15,000	12,100	12,025	(75)
Commodities	2,500	2,400	1,301	(1,099)
Total emergency management	<u>100,664</u>	<u>109,471</u>	<u>108,254</u>	<u>(1,217)</u>
Police department:				
Human services	2,075,310	2,246,660	2,246,453	(207)
Contractual services	257,681	206,981	206,871	(110)
Commodities	87,950	69,550	68,422	(1,128)
Capital	18,500	16,250	16,248	(2)
Total police department	<u>2,439,441</u>	<u>2,539,441</u>	<u>2,537,994</u>	<u>(1,447)</u>
Fire marshal:				
Human services	84,633	111,983	111,933	(50)
Commodities	4,910	7,753	6,513	(1,240)
Total fire marshal	<u>89,543</u>	<u>119,736</u>	<u>118,446</u>	<u>(1,290)</u>
Animal control:				
Human services	61,836	68,226	68,178	(48)
Contractual services	3,327	1,777	1,583	(194)
Commodities	6,950	3,710	3,608	(102)
Total animal control	<u>72,113</u>	<u>73,713</u>	<u>73,369</u>	<u>(344)</u>
Public safety commission:				
Human services	1,000	1,000	440	(560)
				<i>(Continued)</i>

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY <i>(Continued)</i>				
Dispatch:				
Human services	\$ 314,050	\$ 313,050	\$ 310,649	\$ (2,401)
Commodities	4,250	5,250	4,108	(1,142)
Total dispatch	<u>318,300</u>	<u>318,300</u>	<u>314,757</u>	<u>(3,543)</u>
Fire protection:				
Human services	765,619	799,239	799,165	(74)
Contractual services	385,332	385,333	385,332	(1)
Commodities	84,850	84,729	84,627	(102)
Total fire protection	<u>1,235,801</u>	<u>1,269,301</u>	<u>1,269,124</u>	<u>(177)</u>
Public safety building:				
Contractual services	88,000	79,700	79,539	(161)
Commodities	1,500	1,500	1,323	(177)
Total public safety building	<u>89,500</u>	<u>81,200</u>	<u>80,862</u>	<u>(338)</u>
Total public safety	<u>4,346,362</u>	<u>4,512,162</u>	<u>4,503,246</u>	<u>(8,916)</u>
PUBLIC WORKS				
Public works:				
Human services	1,434,300	1,440,050	1,439,607	(443)
Contractual services	309,450	468,886	468,561	(325)
Commodities	899,000	828,260	827,484	(776)
Capital	10,600	5,155	5,123	(32)
Total public works	<u>2,653,350</u>	<u>2,742,351</u>	<u>2,740,775</u>	<u>(1,576)</u>
Camp Oakdale:				
Contractual services	62,300	51,520	51,043	(477)
Commodities	16,600	15,280	15,168	(112)
Capital	500	-	-	-
Total Camp Oakdale	<u>79,400</u>	<u>66,800</u>	<u>66,211</u>	<u>(589)</u>
Solid waste:				
Human services	164,800	145,100	144,476	(624)
Contractual services	786,500	772,732	770,041	(2,691)
Commodities	34,950	38,250	37,018	(1,232)
Capital	9,000	28,968	11,075	(17,893)
Total solid waste	<u>995,250</u>	<u>985,050</u>	<u>962,610</u>	<u>(22,440)</u>
Engineering services	<u>180,000</u>	<u>180,000</u>	<u>172,922</u>	<u>(7,078)</u>
Total public works	<u>3,908,000</u>	<u>3,974,201</u>	<u>3,942,518</u>	<u>(31,683)</u>

(Continued)

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED) *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 174,850	\$ 190,850	\$ 190,647	\$ (203)
Commodities	700	700	178	(522)
Total health and welfare	<u>175,550</u>	<u>191,550</u>	<u>190,825</u>	<u>(725)</u>
SOCIAL SERVICES				
Human services	32,345	32,745	32,647	(98)
Contractual services	2,250	1,850	1,531	(319)
Commodities	175	175	48	(127)
Total social services	<u>34,770</u>	<u>34,770</u>	<u>34,226</u>	<u>(544)</u>
RECREATION AND LEISURE				
Recreation:				
Human services	234,399	212,455	209,391	(3,064)
Contractual services	875	936	584	(352)
Commodities	41,400	41,244	39,661	(1,583)
Capital	3,600	3,539	2,632	(907)
Total recreation	<u>280,274</u>	<u>258,174</u>	<u>252,268</u>	<u>(5,906)</u>
Fair oaks building	<u>31,800</u>	<u>31,800</u>	<u>31,797</u>	<u>(3)</u>
Parks and recreation commission:				
Human services	<u>1,000</u>	<u>1,000</u>	<u>636</u>	<u>(364)</u>
Total recreation and leisure	<u>313,074</u>	<u>290,974</u>	<u>284,701</u>	<u>(6,273)</u>
MISCELLANEOUS				
Donations to organizations	<u>73,300</u>	<u>73,300</u>	<u>73,300</u>	<u>-</u>
EDUCATION	<u>36,660,619</u>	<u>36,660,619</u>	<u>36,399,944</u>	<u>(260,675)</u>
CAPITAL OUTLAYS	<u>690,082</u>	<u>690,082</u>	<u>687,277</u>	<u>(2,805)</u>
DEBT SERVICE				
Redemption of debt - principal	3,508,657	3,508,657	3,507,136	(1,521)
Interest payments	923,365	923,365	923,365	-
Total debt service	<u>4,432,022</u>	<u>4,432,022</u>	<u>4,430,501</u>	<u>(1,521)</u>
Total expenditures	<u>57,650,869</u>	<u>58,010,869</u>	<u>57,599,576</u>	<u>(411,293)</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>85,000</u>
Total expenditures and other financing uses	<u>\$ 57,650,869</u>	<u>\$ 58,010,869</u>	<u>\$ 57,684,576</u>	<u>\$ (326,293)</u>

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
(Rounded to nearest thousand)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.467%	0.467%	0.474%	0.474%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	<u>63,074,000</u>	<u>66,544,000</u>	<u>52,024,000</u>	<u>48,086,000</u>
Total	<u>\$ 63,074,000</u>	<u>\$ 66,544,000</u>	<u>\$ 52,024,000</u>	<u>\$ 48,086,000</u>
Town's covered payroll	\$ 18,490,000	\$ 18,654,000	\$ 18,728,000	\$ 18,347,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

See accompanying notes to 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 FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	3.240%	2.860%	1.979%	4.769%
Town's proportionate share of the net pension liability	<u>\$ 8,042,425</u>	<u>\$ 9,513,824</u>	<u>\$ 6,566,284</u>	<u>\$ 4,699,674</u>
Town's covered payroll	\$ 11,026,760	\$ 12,319,105	\$ 10,870,196	\$ 10,187,832
Town's proportionate share of the net pension liability as a percentage of its covered payroll	72.9%	77.2%	60.4%	46.1%
Plan fiduciary net position as a percentage of the total pension liability	91.68%	88.29%	92.72%	96.06%

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,417,446	\$ 1,514,844	\$ 1,346,598	\$ 872,911
Contributions in relation to the contractually required contribution	<u>1,417,446</u>	<u>1,514,844</u>	<u>1,346,598</u>	<u>872,911</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 11,026,760	\$ 12,319,105	\$ 10,870,196	\$ 10,187,832
Contributions as a percentage of covered employee payroll	12.85%	12.30%	12.39%	8.57%

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (UNAUDITED)
OTHER POST-EMPLOYMENT BENEFITS PLAN
LAST FISCAL YEAR

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 47,363
Interest	64,449
Changes in assumptions	(53,939)
Benefit payments, including refunds	<u>(112,809)</u>
Net change in total OPEB liability	(54,936)
Total OPEB liability - beginning	<u>1,808,789</u>
Total OPEB liability - ending	<u>\$ 1,753,853</u>

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (UNAUDITED)
 CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
 LAST FISCAL YEAR
 (Rounded to nearest thousand)

	2018
Proportion of the net OPEB liability attributed to the Town	0.467%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability attributed to the Town	16,234,000
Total	\$ 16,234,000
Town's covered payroll	\$ 18,490,000
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

See accompanying notes to required supplementary information.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - 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, 2018 amounted to \$360,000.
- 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.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - BUDGETARY INFORMATION *(Continued)*

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, 2018:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources - (Uses), Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 59,383,298	\$ 57,599,576	\$ (60,486)	\$ 1,723,236
"On-behalf" payments - State Teachers Retirement Fund	4,821,229	4,821,229	-	-
Changes in encumbrances	-	590,713	(3,930)	(594,643)
Certain revenues and expenses presented net for budgetary purposes	980,117	1,364,022	-	(383,905)
Proceeds from capital lease not recorded for budgetary purposes	-	348,739	800,000	451,261
Certain transfers recorded as expenditures for budgetary purposes	-	(604,813)	(604,813)	-
Energy loan not recorded for budgetary purposes	-	348,859	348,859	-
GAAP basis	<u>\$ 65,184,644</u>	<u>\$ 64,468,325</u>	<u>\$ 479,630</u>	<u>\$ 1,195,949</u>

NOTE 2 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2018.

- the inflation assumption was reduced from 3.00% to 2.75%,
- the real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%,
- the payroll growth assumption was reduced from 3.75% to 3.25%, and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables.

NOTE 3 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within the schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuations performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

Benefit changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the total pension liability.

NOTE 4 - SCHEDULE OF CONTRIBUTIONS – CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported.

NOTE 4 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
(Continued)

Methods and Assumptions Utilized

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Level dollar, closed;
- Remaining amortization period: 23 years;
- Asset valuation method: Smoothed market with 20% recognition of investment gains and losses;
- Inflation: 3.25%;
- Investment rate of return: 8.00%;
- Salary increases: Varies 4.25% to 11.00%;
- Mortality: RP2000 Mortality Table for Annuitants and Non-Annuitants

NOTE 5 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

The Town measures the total OPEB liability at the end of each fiscal year using the Alternative Measurement Method.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

NOTE 6 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2018

Grand List Year	Balance Uncollected June 30, 2017	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2018
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
2016	\$ -	\$ 40,170,228	\$ 43,564	\$ 192,198	\$ 3,600	\$ 40,017,994	\$ 39,214,729	\$ 175,552	\$ 39,390,281	\$ 803,265
2015	945,356	-	4,149	25,489	5,306	918,710	458,930	121,961	580,891	459,780
2014	579,034	-	-	7,978	8,814	562,242	257,008	112,488	369,496	305,234
2013	427,219	-	84	6,142	2,130	419,031	153,627	102,640	256,267	265,404
2012	472,232	-	77	6,579	1,596	464,134	145,489	118,706	264,195	318,645
2011	235,678	-	-	6,507	42,226	186,945	139,355	136,953	276,308	47,590
2010	160,253	-	-	6,092	882	153,279	126,338	150,970	277,308	26,941
2009	27,129	-	-	5,938	637	20,554	365	768	1,133	20,189
2008	16,415	-	-	5,576	919	9,920	225	450	675	9,695
2007	13,221	-	-	5,402	311	7,508	-	-	-	7,508
2006	7,095	-	-	2,836	149	4,110	-	-	-	4,110
2005	7,616	-	1,340	5,836	-	3,120	-	-	-	3,120
2004	2,713	-	-	-	-	2,713	-	-	-	2,713
2003	2,608	-	-	-	-	2,608	-	-	-	2,608
2002	2,552	-	-	-	-	2,552	-	-	-	2,552
2001	2,303	-	-	-	-	2,303	-	-	-	2,303
	<u>\$ 2,901,424</u>	<u>\$ 40,170,228</u>	<u>\$ 49,214</u>	<u>\$ 276,573</u>	<u>\$ 66,570</u>	<u>\$ 42,777,723</u>	<u>\$ 40,496,066</u>	<u>\$ 920,488</u>	<u>\$ 41,416,554</u>	<u>\$ 2,281,657</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, 2018

Total cash collections for the year ended
June 30, 2018:

Taxes	\$ 40,496,066
Interest and lien fees	920,488
Total	<u>41,416,554</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	13,365
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Base \$ 41,429,919

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 93,217,318	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	186,434,636	-	-	-
3-3/4 times base	-	-	155,362,196	-	-
3-1/4 times base	-	-	-	134,647,237	-
3 times base	-	-	-	-	124,289,757
Total debt limitation	<u>93,217,318</u>	<u>186,434,636</u>	<u>155,362,196</u>	<u>134,647,237</u>	<u>124,289,757</u>
Indebtedness:					
Bonds payable	16,022,900	11,006,400	1,373,700	-	-
Note payable	-	-	203,026	-	-
Authorized but unissued bonds	-	3,900,500	-	-	-
Total indebtedness	<u>16,022,900</u>	<u>14,906,900</u>	<u>1,576,726</u>	<u>-</u>	<u>-</u>
Less: Assessments receivable	44,752	-	-	-	-
Less: School construction grants receivable	-	1,163,251	-	-	-
Net indebtedness	<u>15,978,148</u>	<u>13,743,649</u>	<u>1,576,726</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 77,239,170</u>	<u>\$ 172,690,987</u>	<u>\$ 153,785,470</u>	<u>\$ 134,647,237</u>	<u>\$ 124,289,757</u>
Total capacity of borrowing (7 times base)	\$ 290,009,433				
Total present indebtedness	31,298,523				
Margin for additional borrowing	<u>\$ 258,710,910</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 \$1,264,000 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, 2018

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
2017	23,057	-	-	23,057	2,152	3,075	5,227	20,905
2018	20,905	-	-	20,905	2,163	3,651	5,814	18,742

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS - PHASE IV
FOR THE YEAR ENDED JUNE 30, 2018

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
2017	2,316	-	-	2,316	463	127	590	1,853
2018	1,853	-	-	1,853	463	102	565	1,390

See accompanying Independent Auditor's Report.

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	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	Town Historic Preservation Fund
ASSETS							
Cash and cash equivalents	\$ -	\$ 3,846	\$ -	\$ 201,777	\$ 125,346	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Receivables:							
Intergovernmental	-	-	-	101,367	-	-	-
Other	-	-	-	1,533	-	-	-
Due from other funds	26,629	-	5,253	-	-	205,567	17,436
Inventories	-	-	-	8,461	-	-	-
Total assets	\$ 26,629	\$ 3,846	\$ 5,253	\$ 313,138	\$ 125,346	\$ 205,567	\$ 17,436
LIABILITIES							
Accounts payable	\$ 20,286	\$ -	\$ 1,443	\$ 6,233	\$ 3,906	\$ 9,641	\$ -
Accrued liabilities	-	-	-	4,405	-	-	-
Due to other funds	-	-	-	-	19,380	690	-
Unearned revenue	-	-	3,810	158	102,060	-	-
Total liabilities	20,286	-	5,253	10,796	125,346	10,331	-
FUND BALANCES							
Nonspendable	-	-	-	8,461	-	-	-
Restricted	6,343	3,846	-	-	-	-	-
Committed	-	-	-	293,881	-	195,236	17,436
Unassigned	-	-	-	-	-	-	-
Total fund balances	6,343	3,846	-	302,342	-	195,236	17,436
Total liabilities and fund balances	\$ 26,629	\$ 3,846	\$ 5,253	\$ 313,138	\$ 125,346	\$ 205,567	\$ 17,436

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2018

	Nonmajor Special Revenue Funds					
	Youth Service Bureau Fund	Learn Not to Burn Fund	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation Fund	Police Forfeiture Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables:						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	42,145	359	3,533	36,788	2,834	8,787
Inventories	-	-	-	-	-	-
Total assets	<u>\$ 42,145</u>	<u>\$ 359</u>	<u>\$ 3,533</u>	<u>\$ 36,788</u>	<u>\$ 2,834</u>	<u>\$ 8,787</u>
LIABILITIES						
Accounts payable	\$ 404	\$ -	\$ 190	\$ 7,847	\$ -	\$ 4,981
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>404</u>	<u>-</u>	<u>190</u>	<u>7,847</u>	<u>-</u>	<u>4,981</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	359	3,343	-	2,834	3,806
Committed	41,741	-	-	28,941	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>41,741</u>	<u>359</u>	<u>3,343</u>	<u>28,941</u>	<u>2,834</u>	<u>3,806</u>
Total liabilities and fund balances	<u>\$ 42,145</u>	<u>\$ 359</u>	<u>\$ 3,533</u>	<u>\$ 36,788</u>	<u>\$ 2,834</u>	<u>\$ 8,787</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS *(Continued)*
 JUNE 30, 2018

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Capital Project Funds</u>			
	<u>Comstock Book Fund</u>	<u>Total Special Revenue Funds</u>	<u>Old Colchester/ Black Ash Road Fund</u>	<u>Public Works Facility Improvements Fund</u>	<u>Transfer Station Fund</u>	<u>LOCIP Fund</u>
ASSETS						
Cash and cash equivalents	\$ 1,188	\$ 332,157	\$ -	\$ -	\$ -	\$ -
Investments	10,000	10,000	-	-	-	-
Receivables:						
Intergovernmental	-	101,367	-	3,623	-	-
Other	-	1,533	-	-	-	-
Due from other funds	-	349,331	394,287	-	-	60,943
Inventories	-	8,461	-	-	-	-
Total assets	<u>\$ 11,188</u>	<u>\$ 802,849</u>	<u>\$ 394,287</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ 60,943</u>
LIABILITIES						
Accounts payable	\$ -	\$ 54,931	\$ 258,177	\$ -	\$ -	\$ -
Accrued liabilities	-	4,405	-	-	-	-
Due to other funds	-	20,070	-	3,623	60,000	-
Unearned revenue	-	106,028	136,110	-	-	-
Total liabilities	<u>-</u>	<u>185,434</u>	<u>394,287</u>	<u>3,623</u>	<u>60,000</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	8,461	-	-	-	-
Restricted	11,188	31,719	-	-	-	-
Committed	-	577,235	-	-	-	60,943
Unassigned	-	-	-	-	(60,000)	-
Total fund balances	<u>11,188</u>	<u>617,415</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>60,943</u>
Total liabilities and fund balances	<u>\$ 11,188</u>	<u>\$ 802,849</u>	<u>\$ 394,287</u>	<u>\$ 3,623</u>	<u>\$ -</u>	<u>\$ 60,943</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 JUNE 30, 2018

	Nonmajor Capital Projects Fund						
	Capital Nonrecurring Fund	Capital Projects Fund	Open Space Fund	Bridges Fund	Bridge St. Remediation Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,157
Investments	-	-	-	-	-	-	10,000
Receivables:							
Intergovernmental	-	-	-	-	6,372	9,995	111,362
Other	-	-	-	-	-	-	1,533
Due from other funds	120,248	1,672,848	5,000	-	81,373	2,334,699	2,684,030
Inventories	-	-	-	-	-	-	8,461
Total assets	<u>\$ 120,248</u>	<u>\$ 1,672,848</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 87,745</u>	<u>\$ 2,344,694</u>	<u>\$ 3,147,543</u>
LIABILITIES							
Accounts payable	\$ -	\$ 24,787	\$ -	\$ -	\$ 2,745	\$ 285,709	\$ 340,640
Accrued liabilities	-	-	-	-	-	-	4,405
Due to other funds	-	-	-	237	-	63,860	83,930
Unearned revenue	-	-	-	-	-	136,110	242,138
Total liabilities	<u>-</u>	<u>24,787</u>	<u>-</u>	<u>237</u>	<u>2,745</u>	<u>485,679</u>	<u>671,113</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	8,461
Restricted	-	-	-	-	-	-	31,719
Committed	120,248	1,648,061	5,000	-	85,000	1,919,252	2,496,487
Unassigned	-	-	-	(237)	-	(60,237)	(60,237)
Total fund balances	<u>120,248</u>	<u>1,648,061</u>	<u>5,000</u>	<u>(237)</u>	<u>85,000</u>	<u>1,859,015</u>	<u>2,476,430</u>
Total liabilities and fund balances	<u>\$ 120,248</u>	<u>\$ 1,672,848</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 87,745</u>	<u>\$ 2,344,694</u>	<u>\$ 3,147,543</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, 2018

	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	Town Historic Preservation Fund
REVENUES							
Grants and contracts	\$ 390,331	\$ 232,550	\$ 12,981	\$ 590,214	\$ 1,152,692	\$ 75,150	\$ 4,000
Charges for services	-	-	-	406,082	-	64,778	-
Investment income	-	-	-	-	-	-	-
Other	-	-	-	-	-	31,245	7,849
Total revenues	<u>390,331</u>	<u>232,550</u>	<u>12,981</u>	<u>996,296</u>	<u>1,152,692</u>	<u>171,173</u>	<u>11,849</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	4,000
Public safety	-	-	-	-	-	-	-
Public works	383,988	-	-	-	-	-	-
Health and welfare	-	228,704	12,981	-	-	159,032	-
Recreation and leisure	-	-	-	-	-	-	-
Education	-	-	-	963,155	1,152,692	-	-
Capital outlays	-	-	-	-	-	-	-
Total expenditures	<u>383,988</u>	<u>228,704</u>	<u>12,981</u>	<u>963,155</u>	<u>1,152,692</u>	<u>159,032</u>	<u>4,000</u>
Excess (deficiency) of revenues over expenditures	6,343	3,846	-	33,141	-	12,141	7,849
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,343	3,846	-	33,141	-	12,141	7,849
Fund balances - beginning	-	-	-	269,201	-	183,095	9,587
Fund balances - ending	<u>\$ 6,343</u>	<u>\$ 3,846</u>	<u>\$ -</u>	<u>\$ 302,342</u>	<u>\$ -</u>	<u>\$ 195,236</u>	<u>\$ 17,436</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, 2018

	Nonmajor Special Revenue Funds					
	Youth Service Bureau Fund	Learn Not to Burn Fund	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation Fund	Police Forfeiture Fund
REVENUES						
Grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,919
Charges for services	22,236	-	-	71,967	-	-
Investment income	-	-	-	-	-	-
Other	-	-	14,077	-	1,286	-
Total revenues	<u>22,236</u>	<u>-</u>	<u>14,077</u>	<u>71,967</u>	<u>1,286</u>	<u>6,919</u>
EXPENDITURES						
Current:						
General government	22,549	-	-	-	-	-
Public safety	-	-	12,168	-	293	8,851
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Recreation and leisure	-	-	-	85,323	-	-
Education	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	<u>22,549</u>	<u>-</u>	<u>12,168</u>	<u>85,323</u>	<u>293</u>	<u>8,851</u>
Excess (deficiency) of revenues over expenditures	(313)	-	1,909	(13,356)	993	(1,932)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(313)	-	1,909	(13,356)	993	(1,932)
Fund balances - beginning	<u>42,054</u>	<u>359</u>	<u>1,434</u>	<u>42,297</u>	<u>1,841</u>	<u>5,738</u>
Fund balances - ending	<u>\$ 41,741</u>	<u>\$ 359</u>	<u>\$ 3,343</u>	<u>\$ 28,941</u>	<u>\$ 2,834</u>	<u>\$ 3,806</u>

See accompanying Independent Auditor's Report.

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2018

	Nonmajor Special Revenue Funds		Nonmajor Capital Projects Funds			
	Comstock Book Fund	Total Special Revenue Funds	Old Colchester/ Black Ash Road Fund	Public Works Facility Improvements Fund	Transfer Station Fund	LOCIP Fund
REVENUES						
Grants and contracts	\$ -	\$ 2,464,837	\$ 514,681	\$ -	\$ -	\$ -
Charges for services	-	565,063	-	-	-	6,798
Investment income	23	23	-	-	-	-
Other	-	54,457	-	-	-	-
Total revenues	23	3,084,380	514,681	-	-	6,798
EXPENDITURES						
Current:						
General government	734	27,283	-	-	-	-
Public safety	-	21,312	-	-	-	-
Public works	-	383,988	-	-	-	-
Health and welfare	-	400,717	-	-	-	-
Recreation and leisure	-	85,323	-	-	-	-
Education	-	2,115,847	-	-	-	-
Capital outlays	-	-	514,681	-	-	65,236
Total expenditures	734	3,034,470	514,681	-	-	65,236
Excess (deficiency) of revenues over expenditures	(711)	49,910	-	-	-	(58,438)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(711)	49,910	-	-	-	(58,438)
Fund balances - beginning	11,899	567,505	-	-	(60,000)	119,381
Fund balances - ending	\$ 11,188	\$ 617,415	\$ -	\$ -	\$ (60,000)	\$ 60,943

(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, 2018

	Nonmajor Capital Projects Fund						Total Nonmajor Governmental Funds
	Capital Nonrecurring Fund	Capital Projects Funds	Open Space Fund	Bridges Fund	Bridge St. Remediation Fund	Total Capital Projects Funds	
REVENUES							
Grants and contracts	\$ -	\$ -	\$ -	\$ 26,015	\$ 8,628	\$ 549,324	\$ 3,014,161
Charges for services	-	-	-	-	-	6,798	571,861
Investment income	-	-	-	-	-	-	23
Other	-	-	-	-	-	-	54,457
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,015</u>	<u>8,628</u>	<u>556,122</u>	<u>3,640,502</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	27,283
Public safety	-	-	-	-	-	-	21,312
Public works	-	-	-	-	-	-	383,988
Health and welfare	-	-	-	-	-	-	400,717
Recreation and leisure	-	-	-	-	-	-	85,323
Education	-	-	-	-	-	-	2,115,847
Capital outlays	8,995	417,929	-	26,015	8,628	1,041,484	1,041,484
Total expenditures	<u>8,995</u>	<u>417,929</u>	<u>-</u>	<u>26,015</u>	<u>8,628</u>	<u>1,041,484</u>	<u>4,075,954</u>
Excess (deficiency) of revenues over expenditures	(8,995)	(417,929)	-	-	-	(485,362)	(435,452)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	604,813	-	-	85,000	689,813	689,813
Transfers out	-	(20,584)	-	-	-	(20,584)	(20,584)
Total other financing sources (uses)	<u>-</u>	<u>584,229</u>	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>669,229</u>	<u>669,229</u>
Net change in fund balances	(8,995)	166,300	-	-	85,000	183,867	233,777
Fund balances - beginning	<u>129,243</u>	<u>1,481,761</u>	<u>5,000</u>	<u>(237)</u>	<u>-</u>	<u>1,675,148</u>	<u>2,242,653</u>
Fund balances - ending	<u>\$ 120,248</u>	<u>\$ 1,648,061</u>	<u>\$ 5,000</u>	<u>\$ (237)</u>	<u>\$ 85,000</u>	<u>\$ 1,859,015</u>	<u>\$ 2,476,430</u>

See accompanying Independent Auditor's Report.

FIDUCIARY FUNDS

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	<u>Student Activities Fund</u>	<u>Performance Bonds Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 298,109	\$ 153,130	\$ 451,239
Investments	52,618	-	52,618
Total assets	<u>\$ 350,727</u>	<u>\$ 153,130</u>	<u>\$ 503,857</u>
LIABILITIES			
Due to student groups	\$ 350,727	-	\$ 350,727
Due to others	-	153,130	153,130
Total liabilities	<u>\$ 350,727</u>	<u>\$ 153,130</u>	<u>\$ 503,857</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, 2018

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2018</u>
Student Activities Fund				
Assets				
Cash and cash equivalents	\$ 268,523	\$ 499,837	\$ 470,251	\$ 298,109
Investments	52,428	190	-	52,618
Total assets	<u>\$ 320,951</u>	<u>\$ 500,027</u>	<u>\$ 470,251</u>	<u>\$ 350,727</u>
Liabilities				
Due to student groups	\$ 320,951	\$ 500,027	\$ 470,251	\$ 350,727
Total liabilities	<u>\$ 320,951</u>	<u>\$ 500,027</u>	<u>\$ 470,251</u>	<u>\$ 350,727</u>
Performance Bonds Fund				
Assets				
Cash and cash equivalents	\$ 130,590	\$ 58,248	\$ 35,708	\$ 153,130
Total assets	<u>\$ 130,590</u>	<u>\$ 58,248</u>	<u>\$ 35,708</u>	<u>\$ 153,130</u>
Liabilities				
Due to others	\$ 130,590	\$ 58,248	\$ 35,708	\$ 153,130
Total liabilities	<u>\$ 130,590</u>	<u>\$ 58,248</u>	<u>\$ 35,708</u>	<u>\$ 153,130</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 399,113	\$ 558,085	\$ 505,959	\$ 451,239
Investments	52,428	190	-	52,618
Total assets	<u>\$ 451,541</u>	<u>\$ 558,275</u>	<u>\$ 505,959</u>	<u>\$ 503,857</u>
Liabilities				
Due to student groups	\$ 320,951	\$ 500,027	\$ 470,251	\$ 350,727
Due to others	130,590	58,248	35,708	153,130
Total liabilities	<u>\$ 451,541</u>	<u>\$ 558,275</u>	<u>\$ 505,959</u>	<u>\$ 503,857</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 NINE 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>
2016	78.3	11.2	10.5	\$ 1,640,413	\$ 369,988	\$ 1,270,425	-0.8%
2015	81.1	8.9	10.0	1,636,050	355,646	1,280,404	0.8%
2014	76.8	13.7	9.5	1,619,701	271,914	1,269,939	0.8%
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	14.6%
2010	82.9	9.2	7.9	1,745,512	213,719	1,531,793	1.0%
2009	83.1	9.2	7.7	1,725,221	208,864	1,516,357	0.3%
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

Table 2

TOWN OF MONTVILLE, CONNECTICUT
MAJOR TAXPAYERS
2016 GRAND LIST
(Unaudited)

NAME OF TAXPAYER	NATURE OF BUSINESS	GRAND LIST AMOUNT (1)	% NET TAXABLE GRAND LIST (2)
Eversource	Utility	\$ 54,269,570	4.27
Montville Station LLC	Retail Shopping Center	12,944,470	1.02
Montville Power LLC	Power Generation	11,301,830	0.89
Westrock Converting Co	Manufacturer	11,245,450	0.89
Home Depot USA Inc.	Retail Shopping Center	10,789,040	0.85
Rand Whitney Containerboard LTD	Paper/Paperboard/Cogeneration	9,232,537	0.73
Stonestreet Hospitality Realty Co	Hotel	8,450,220	0.67
Alogonquin Gas Transmission LLC	Utilities	7,312,060	0.58
Yankee Gas Services	Utilities	6,848,500	0.54
Jensens Inc.	Active Adult Community	<u>6,035,871</u>	<u>0.48</u>
		<u><u>\$ 138,429,548</u></u>	10.90

(1) Net Taxable Grand List 10/01/16

(2) Net Taxable Grand List 10/01/16 Amount \$1,270,424,978

Source: Town of Montville, Office of the Tax Collector

Table 3

TOWN OF MONTVILLE, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST NINE 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
2018	2016	\$ 40,170,228	\$ 39,214,729	97.62%	\$ -	\$ 39,214,729	97.62%
2017	2015	38,963,093	38,194,770	98.03%	308,543	38,503,313	98.82%
2016	2014	37,925,442	37,067,885	97.74%	552,323	37,620,208	99.20%
2015	2013	36,794,710	35,912,024	97.60%	617,282	36,529,306	99.28%
2014	2012	36,173,699	35,271,962	97.51%	583,092	35,855,054	99.12%
2013	2011	38,212,245	36,735,621	96.14%	1,429,034	38,164,655	99.88%
2012	2010	35,089,735	33,078,939	94.27%	1,983,855	35,062,794	99.92%
2011	2009	33,817,048	33,200,666	98.18%	596,193	33,796,859	99.94%
2010	2008	32,227,184	31,558,711	97.93%	658,778	32,217,489	99.97%

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 NINE FISCAL YEARS
(Unaudited)

Fiscal Year	Total Bonded Debt	Clean Water Fund Notes	Total Net Bonded Debt	Ratio of Net Bonded Debt to Est. Actual Taxable Value¹	Percentage of Personal Income²	Debt Per Capita³
Governmental Activities:						
2018	\$ 28,293,300	\$ -	\$ 28,293,300	2.23%	4.73%	1,451
2017	31,723,800	-	31,723,800	2.48%	5.46%	1,621
2016	34,937,500	-	34,937,500	2.75%	5.61%	1,779
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:						
2018	\$ 1,373,700	\$ 203,026	\$ 1,576,726	0.12%	0.26%	81
2017	1,669,200	213,623	1,882,823	0.15%	0.32%	96
2016	1,966,500	224,008	2,190,508	0.17%	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:						
2018	\$ 29,667,000	\$ 203,026	\$ 29,870,026	2.35%	4.99%	1,531
2017	33,393,000	213,623	33,606,623	2.62%	5.78%	1,717
2016	36,904,000	224,008	37,128,008	2.92%	5.96%	1,891
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 NINE FISCAL YEARS
(Unaudited)

Fiscal Year	Population¹	Personal Income (000)s	Per Capita Personal Income²	Median Age¹	Unemployment Rate³
2018	19,505	\$ 598,199	\$ 30,669	43	4.3%
2017	19,571	581,043	29,689	43	4.3%
2016	19,635	623,278	31,847	43	4.2%
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