

Town of Monroe, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2015

Town of Monroe, Connecticut

Table of Contents
Year Ended June 30, 2015

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
<u>Exhibit</u>	
<u>Government-Wide Financial Statements</u>	
1	Statement of Net Position 11
2	Statement of Activities 12
<u>Fund Financial Statements</u>	
3	Balance Sheet - Governmental Funds 13
3a	Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities 14
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 15
4a	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 16
5	Statement of Net Position – Internal Service Funds 17
6	Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds 18
7	Statement of Cash Flows – Internal Service Funds 19
8	Statement of Fiduciary Net Position – Fiduciary Funds 20
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds 21
	Notes to the Financial Statements 22
Required Supplementary Information	
<u>RSI</u>	
1	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) – General Fund 65
<u>Town Pension Plan</u>	
2a	Schedule of Changes in Net Pension Liability and Related Ratios 68
2b	Schedule of Employer Contributions 69
2c	Annual Money-Weighted Rate of Return 70
<u>Board of Education Pension Plan</u>	
3a	Schedule of Changes in Net Pension Liability and Related Ratios 71
3b	Schedule of Employer Contributions 72
3c	Annual Money-Weighted Rate of Return 73
4	Other Post-Employment Benefits Plan 74
5	Connecticut Municipal Employees' Retirement System 75
6	Connecticut Teachers' Retirement System 76

Town of Monroe, Connecticut

Table of Contents (Continued)
June 30, 2015

	<u>Page No.</u>
Combining Fund Financial Statements	
<u>Statement</u>	
<u>Other Governmental Funds</u>	
1	Combining Balance Sheet 77
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 78
<u>Special Revenue Funds</u>	
3	Combining Balance Sheet 79
4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 81
<u>Capital Project Funds</u>	
5	Combining Balance Sheet 83
6	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 84
<u>Internal Service Funds</u>	
7	Combining Statement of Net Position 85
8	Combining Statement of Revenues, Expenses and Changes in Net Position 86
9	Combining Statement of Cash Flows 87
<u>Pension Trust Funds</u>	
10	Combining Statement of Net Position 88
11	Combining Statement of Changes in Fiduciary Net Position 89
<u>Agency Funds</u>	
12	Combining Statement of Changes in Assets and Liabilities 90
Supplementary Schedules	
<u>Schedule</u>	
1	Report of the Property Tax Collector 91
2	Statement of Changes in Fund Balance – By Project – Capital Reserve 92
3	Summary of Pension and OPEB Balances 93
Internal Controls and Compliance Reports	
<u>Government Auditing Standards Report</u> 94	
<u>State Single Audit</u>	
	State Single Audit Report 96
	Schedule of Expenditures of State Financial Assistance 99
	Notes to the Schedule of Expenditures of State Financial Assistance 100
	Schedule of Findings and Questioned Costs 101
<u>Federal Single Audit</u>	
	Federal Single Audit Report 102
	Schedule of Expenditures of Federal Awards 105
	Notes to the Schedule of Expenditures of Federal Awards 107
	Schedule of Findings and Questioned Costs 108

Independent Auditors' Report

**The Board of Finance
Town of Monroe, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monroe, Connecticut ("Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2H to the financial statements the Town's adopted the provisions of GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions* and 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Correction of Errors

As discussed in Note 2G to the financial statements the Town made corrections to the beginning balances in these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information, Pensions and Other Post-Employment Benefits Schedules 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and 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 fund financial statements, and supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining fund financial statements and supplementary 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016 on our consideration of the Town's internal control over financial reporting and 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 the 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.

PKF O'Connor Davies, LLP

January 25, 2016

Town of Monroe, Connecticut

Management's Discussion and Analysis
June 30, 2015

**Town of Monroe, Connecticut
Management's Discussion and Analysis
June 30, 2015**

Our discussion and analysis of Town of Monroe, Connecticut's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- GASB Statement No. 68 (Accounting and Financial Reporting for Pensions-An Amendment to GASB Statement No. 27) and GASB Statement No. 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68) have been implemented by the Town for the current fiscal year. The implementation of these statements have resulted in a net cumulative effect for the change in accounting principle of \$4,288,545 to record the net pension liability of the Town as of July 1, 2014. The pension expense for the current fiscal year was \$1,222,339 and the net pension liability as of June 30, 2015 was \$5,803,711.
- The Town's assets exceed its liabilities as of June 30, 2015 by \$44,574,429 (Net Position). The majority of this (96.77%) was attributed to the Town's net investment in capital assets of \$43,135,174.
- The Town's net position increased by \$1,294,244. This increase was substantially due to a \$500,000 STEAP grant received for the police station renovation which was mainly expended in the prior year and higher than expected tax revenues.
- At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,808,790, an increase of \$4,218,203 over the prior year. This increase was primarily the result of the general fund operating surplus of \$1,118,728, plus \$6,220,000 in proceeds received from the issuance of general obligation bonds less capital outlays outside of the general fund of \$3,407,618.
- As of June 30, 2015 the unassigned fund balance for the general fund was \$6,210,066, or 7.84% of the total general fund expenditures and other financing uses on a budgetary basis. This represents a .20% increase over the prior fiscal year's percentage of 7.64%.
- The Town of Monroe's total general obligation bond and bond anticipation note debt decreased by \$845,000 (1.9%) over the course of the current fiscal year. This is summarized in the following table.

Summary of Total General Obligation Bond and Bond Anticipation Note Debt			
Description	2015	Change	2014
General Obligation Bonds	\$ 43,550,000	\$ 2,105,000	\$ 41,445,000
Bond Anticipation Notes	-	(2,950,000)	2,950,000
Totals	\$ 43,550,000	(845,000)	\$ 44,395,000

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the

government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Government's *net position* and changes in them. You can think of the Government's net position—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- **Governmental activities**—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance has established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- **Governmental funds**—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities*

Town of Monroe, Connecticut
Management's Discussion and Analysis
June 30, 2015

(reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The Government as Trustee

The Government is the trustee, or *fiduciary*, for student activity funds at the schools, school scholarships, the Town pension plan and performance bonds collected by the land use group. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Exhibits 8. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$1,294,244 from a year ago—*increasing* from \$43,280,185 to \$44,574,429. Last year net position *increased* by \$3,329,622. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

Table 1
Change in Net Position (on Exhibit 1)

	2015	Change During Year		2014
		Dollars	Percent	
Current and other assets	\$ 23,793,333	\$ (287,410)	-1.19%	\$ 24,080,743
Capital assets	90,408,025	(796,479)	-0.87%	91,204,504
Total assets	114,201,358	(1,083,889)	-0.94%	115,285,247
Deferred outflows of resources	3,065,183	1,603,840	109.75%	1,461,343
Long-term debt outstanding	64,653,767	2,205,375	3.53%	62,448,392
Other liabilities	6,599,676	(4,418,337)	-40.10%	11,018,013
Total liabilities	71,253,443	(2,212,962)	-3.01%	73,466,405
Deferred inflows of resources	1,438,669	1,438,669	0.00%	-
Net position				
Net investment in capital assets	43,135,174	455,037	1.07%	42,680,137
Restricted	1,365,940	367,819	36.85%	998,121
Unrestricted	73,315	471,388	-118.42%	(398,073)
Total net position	\$ 44,574,429	\$ 1,294,244	2.99%	\$ 43,280,185

The significant changes in deferred outflows of resources and deferred inflows of resources relate to the Town's various pension plans. The increase in deferred outflows of resources resulted from a difference in projected vs. actual earnings, changes in assumptions and contributions after the measurement date for the Town's pension plans. The increase in these amounts totaled \$1,723,339. There was also a decrease in deferred outflows of \$119,499 related to deferred amounts on the refunding of long-term debt. The increase in deferred inflows of resources of \$1,438,669 resulted from a difference in projected vs. actual experience and projected vs. actual earnings for the Town's pension plans.

**Town of Monroe, Connecticut
Management's Discussion and Analysis
June 30, 2015**

The increase in long-term debt resulted from the issuance of \$6,220,000 of general obligation bonds, which was \$2,105,000 greater than the principal payments made on existing bonds during the course of the fiscal year.

The reduction in other liabilities was attributed to a decrease in accounts payable of \$2,240,668 and bond anticipation notes of \$2,950,000. \$2,021,492 of the reduction in payables and the entire reduction in bond anticipation notes were related to the Masuk and Fawn Hollow School roof projects. These projects were both in progress as of June 30, 2014 and completed during the fiscal year. The bond anticipation notes were paid off with the previously mentioned bond issue.

The overall increase in the Town's net position of \$1,294,244 is discussed below.

**Table 2
Change in Net Position (on Exhibit 2)**

	2015	Change During Year		2014
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 7,376,344	\$ (201,335)	-2.66%	\$ 7,577,679
Operating grants and contributions	15,056,225	(1,033,424)	-6.42%	16,089,649
Capital grants and contributions	1,014,047	351,160	52.97%	662,887
General revenues:				
Property taxes	71,725,240	1,550,032	2.21%	70,175,208
Grants and contributions	2,307	(368,067)	-99.38%	370,374
Interest and investment earnings	(54,166)	(180,038)	-143.03%	125,872
Gain (loss) on disposal of equipment	2,000	2,000	0.00%	-
Other general revenues	191,884	(514,301)	-72.83%	706,185
Total revenues	<u>95,313,881</u>	<u>(393,973)</u>	-0.41%	<u>95,707,854</u>
Program expenses				
General government	8,686,745	114,509	1.34%	8,572,236
Public safety	8,368,234	158,526	1.93%	8,209,708
Public works	5,091,569	(402,617)	-7.33%	5,494,186
Health and welfare	267,102	(58,400)	-17.94%	325,502
Culture and recreation	3,148,479	(36,771)	-1.15%	3,185,250
Education	66,998,073	1,820,963	2.79%	65,177,110
Interest on long-term debt	1,459,435	45,195	3.20%	1,414,240
Total expenses	<u>94,019,637</u>	<u>1,641,405</u>	1.78%	<u>92,378,232</u>
Increase (decrease) in net position	<u>\$ 1,294,244</u>	<u>\$ (2,035,378)</u>	-61.13%	<u>\$ 3,329,622</u>

The revenue decline in operating grants and contributions was due to a decrease in support of \$1,333,639 the Town recognized from the State of Connecticut related to the defined benefit pension plan administered by the Connecticut State Teachers Retirement Board. This decline was the result of the implementation of GASB Statement No. 68, which requires the Town to recognize its proportionate share of the collective pension expense as both revenue and expense. In prior fiscal years the revenue (and expense) was recognized pursuant to GASB Statement No. 24 as on-behalf payments and was valued based upon actual contributions made by the state. If the valuation of this state support was consistent from 2014 to 2015, the state support recognized by the Town would have remained relatively flat year over year.

Town of Monroe, Connecticut
Management's Discussion and Analysis
June 30, 2015

Property tax revenue increased by \$1,550,032 as a result of the increase in tax collections as adopted in the 2015 budget.

The decline in interest and investment earnings was the result of an unrealized loss of \$208,506 the Town sustained in 2015 on an investment in U.S. Agency Bonds. This unrealized loss was recorded by the Town in order to mark the investments to fair market value.

Other general revenues declined year over year because of two energy rebate incentives received in 2014 from a local utility provider totaling \$706,185. These rebates were not received in 2015.

The increase in educational expenses of \$1,820,963 resulted from an increase in program expenses funded through the operating budget of \$1,076,752, an increase in expenses funded with grant revenues of \$360,789 and an increase in depreciation expense of \$506,626.

Governmental Activities

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions.

Table 3
Governmental Type Activities

	Total Cost of Services			Incr. Decr.	Net Cost of Services		
	2015	2014			2015	2014	Incr. Decr.
Governmental Activities							
General government	\$ 8,686,745	\$ 8,572,236	1.34%	\$ 7,818,610	\$ 7,431,188	5.21%	
Public safety	8,368,234	8,209,708	1.93%	6,195,158	6,859,904	-9.69%	
Public works	5,091,569	5,494,186	-7.33%	4,121,976	4,600,133	-10.39%	
Health and welfare	267,102	325,502	-17.94%	216,500	238,098	-9.07%	
Culture and recreation	3,148,479	3,185,250	-1.15%	1,650,728	1,687,609	-2.19%	
Education	66,998,073	65,177,110	2.79%	49,173,216	45,816,845	7.33%	
Interest on long-term debt	1,459,435	1,414,240	3.20%	1,396,833	1,414,240	-1.23%	
Totals	\$ 94,019,637	\$ 92,378,232	1.78%	\$ 70,573,021	\$ 68,048,017	3.71%	

The decline in net public safety cost of services of \$664,746 was largely due to a \$500,000 STEAP Grant received from the State of Connecticut. This grant revenue was used to build the new police department, which had been completed in the prior fiscal year.

The increase in net educational cost of services resulted from the increase in expenses discussed in the previous section of \$1,820,963, plus a net reduction in various educational grant and contribution revenues of \$1,535,408.

**Town of Monroe, Connecticut
Management's Discussion and Analysis
June 30, 2015**

THE GOVERNMENT'S FUNDS

The overall fund balance increase of \$4,218,203 was previously discussed in the Financial Highlights section. This increase in overall fund balance differs from the increase in net position of \$1,294,244 as reflected on the Statement of Activities for various reasons. The complete reconciliation of the overall net change in fund balance to the overall change in net position can be found on Exhibit 4a of the Basic Financial Statements which follow. This exhibit is titled the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

General Fund Budgetary Highlights

Upon request of the First Selectman, the Board of Finance may transfer any unencumbered appropriation, balance, or portion thereof from one office, agency, board or commission to another within the fiscal year. No transfer may be made from any appropriations for debt service or other statutory charges. Additional appropriations shall not be made except from the contingency fund. Appropriations from the contingency fund shall be approved by the First Selectman, the Town Council, and the Board of Finance. The contingency fund is not to exceed one half of one mill of the grand list within the annual budget. Transfers within a department must be approved by Town Council. Below is a summarized view of the final budget and actual results for the General Fund:

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property taxes	\$ 71,258,789	\$ 71,805,335	\$ 546,546
Licenses and permits	598,700	619,293	20,593
Intergovernmental	7,426,456	7,406,574	(19,882)
Charges for services	362,250	241,739	(120,511)
Interest and dividends	140,583	170,992	30,409
Miscellaneous	60,000	191,884	131,884
Total Revenues	79,846,778	80,435,817	589,039
Expenditures			
General government	8,540,080	8,319,358	220,722
Public safety	6,740,132	6,569,254	170,878
Public works	3,782,130	3,782,126	4
Health and welfare	260,071	259,121	950
Culture and recreation	1,550,781	1,550,706	75
Capital outlay	188,956	187,101	1,855
Debt service	5,676,641	5,635,013	41,628
Operating transfers out	175,000	175,000	-
Education	52,932,987	52,814,456	118,531
Total Expenditures	79,846,778	79,292,135	554,643
Increase (Decrease) in Fund Balance	\$ -	\$ 1,143,682	\$ 1,143,682

**Town of Monroe, Connecticut
Management's Discussion and Analysis
June 30, 2015**

Tax revenues came in higher than budgeted. In preparing the budget, a collection rate of 98.5% was used. The actual collection rate for the fiscal year was 99.00%.

All other revenues remained relatively flat when netted. Charges for services were down by \$120,511 largely due to the fact that \$100,000 had been budgeted to be transferred from the Police Special Duty Fund to the General Fund to cover operations for the fiscal year. This transfer of funds was not required due to the higher than expected collection rate on tax revenues. Accordingly, the funds were not transferred into the General Fund and remained in the Police Private Duty Fund and are available to the Town for future needs. Miscellaneous revenues are budgeted conservatively every year because they are unpredictable in nature. Accordingly, these came in over budget by \$131,884.

General Government Expenditures came in under-budget by \$220,722 (2.58%). After budgetary transfers, every department came in at or below budget. The departments which drove this number were the Town Clerk (\$25,725 under budget), Human Resources (\$56,135), Technology (\$20,789), Assessor (\$28,586) and Planning & Zoning (\$23,397). The reasons varied from department to department as to why they came in under-budget. The most significant reason, however, was that Human Resources came in \$294,156 under-budget before budgetary transfers. This was largely the result of savings which were realized in insurance and fringe benefits. This allowed \$238,021 of these available funds to be re-appropriated to other departments with budgetary needs.

The surplus in Public Safety of \$170,878 was largely due to the Police department, which came in \$154,046 under-budget. This was largely driven by salary (both regular and overtime) and benefits coming in \$123,963 under-budget because a few budgeted positions were left unfilled for a portion of the year. Vehicle expense also came in \$19,881 under-budget because of the decline in gas prices and unneeded repairs & maintenance to the police vehicles.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$90,408,025 invested in government activity capital assets. This amount represents a net decrease (including additions and deductions) of \$796,479 from last year. This is due to depreciation expense of \$4,678,882, which was \$796,479 greater than the amount of capital expenditures incurred by the Town for the fiscal year of \$3,882,403. More detailed information about the Government's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Government had \$43,550,000 in bonds and notes outstanding. As previously discussed, this is a decrease of \$845,000 from last year. The Government's general obligation bond rating continues to carry an Aa2 rating. More detailed information about the Government's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered the following factors when setting the budget and mill rate for fiscal year 2016:

- The Town went through a revaluation of its real estate as of October 1, 2014.
- The unemployment rate for the Town was 5.8% in January of 2015, which compared favorably to the State's unemployment rate at that time of 6.8%. (Note: The Town's unemployment rate as of November 2015 was 4.2%.)
- The student population in the Monroe Public Schools was substantially unchanged from fiscal year 2015.
- Inflationary trends in the region are comparable to national indices.
- The Town receives intergovernmental revenues from the State of Connecticut. Due to the State's ongoing economic and budget challenges, these revenues were budgeted conservatively by the Town.

The State of Connecticut's Office of Policy and Management ("OPM") has adopted new laws that will affect the Government's budgets in subsequent years. The motor vehicle mill rate will be capped at 32 mills in fiscal year 2017 and 29.36 mills in fiscal year 2018 and thereafter. Beginning in fiscal year 2018, a cap will be imposed on municipal spending to limit general budget expenditures to 2.5 percent above the previous year or the rate of inflation, whichever is greater. Exemptions from the cap include debt service, special education expenditures, and expenditures related to major disaster or emergency declaration. The Minimum Budget Requirement ("MBR") for education expenditures has been relaxed effective July 1, 2015. The change allows the Government more flexibility in lowering its MRB.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, businesses and investors with a general overview of the Town's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the **Town of Monroe, Finance Department, 7 Fan Hill Road, Monroe, CT 06468.**

Town of Monroe, Connecticut

Basic Financial Statements
June 30, 2015

Town of Monroe, Connecticut

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 15,545,175
Investments	4,253,687
Receivables	
Taxes, net	1,198,613
Accounts	729,206
Intergovernmental	2,065,334
Prepaid expenses	1,318
Capital assets	
Nondepreciable	14,354,309
Depreciable, net of accumulated depreciation	<u>76,053,716</u>
Total Assets	<u>114,201,358</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding long-term debt	746,507
Difference between projected and actual earnings on pension plan	667,322
Change in assumptions on pension plan	1,043,000
Contributions to the pension plan after the measurement date	<u>608,354</u>
Total deferred outflows of resources	<u>3,065,183</u>
LIABILITIES	
Accounts payable	1,919,279
Accrued payroll and related	819,523
Retainage payable	53,850
Risk management claims payable	919,050
Accrued interest payable	239,946
Due to fiduciary funds	1,239,536
Unearned revenues	1,408,492
Non-current liabilities	
Due within one year	6,511,527
Due in more than one year	<u>58,142,240</u>
Total Liabilities	<u>71,253,443</u>
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual experience	833,195
Difference between projected and actual earnings on pension plan	<u>605,474</u>
Total deferred inflows of resources	<u>1,438,669</u>
NET POSITION	
Net investment in capital assets	43,135,174
Restricted net position	
Expendable	1,363,690
Nonexpendable - trust fund principal	2,250
Unrestricted net position	<u>73,315</u>
Total Net Position	<u>\$ 44,574,429</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities					Governmental Activities
General government	\$ 8,686,745	\$ 581,190	\$ 217,551	\$ 69,394	\$ (7,818,610)
Public safety	8,368,234	1,326,736	346,340	500,000	(6,195,158)
Public works	5,091,569	607,745	57,793	304,055	(4,121,976)
Health and welfare	267,102	6,955	43,647	-	(216,500)
Culture and recreation	3,148,479	1,288,639	184,112	25,000	(1,650,728)
Education	66,998,073	3,565,079	14,206,782	52,996	(49,173,216)
Interest on long-term debt	1,459,435	-	-	62,602	(1,396,833)
Total Governmental Activities	94,019,637	7,376,344	15,056,225	1,014,047	(70,573,021)
General Revenues					
Property taxes, payments in lieu of taxes, interest and liens					71,725,240
Grants and contributions not restricted to specific programs					2,307
Unrestricted interest and investment earnings					(54,166)
Gain (loss) on disposal of equipment					2,000
Other general revenues					191,884
Total General Revenues					71,867,265
Change in Net Position					1,294,244
Net Position - Beginning of Year, as restated					43,280,185
Net Position - End of Year					\$ 44,574,429

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and equivalents	\$12,868,086	\$ 784,592	\$ 13,652,678
Investments	3,986,302	267,385	4,253,687
Taxes receivable, net of allowance for uncollectible amounts	1,198,613	-	1,198,613
Other receivables			
Accounts	315,245	413,961	729,206
Intergovernmental	987,172	1,078,162	2,065,334
Due from other funds	1,186,793	6,370,658	7,557,451
Prepaid expenditures	-	1,318	1,318
Total Assets	<u>\$20,542,211</u>	<u>\$ 8,916,076</u>	<u>\$ 29,458,287</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,369,501	\$ 549,300	\$ 1,918,801
Accrued payroll and related	815,898	3,625	819,523
Other accrued liabilities	53,850	-	53,850
Due to other funds	8,154,316	1,186,793	9,341,109
Unearned revenues	96,468	1,312,024	1,408,492
Total Liabilities	<u>\$10,490,033</u>	<u>\$ 3,051,742</u>	<u>\$ 13,541,775</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues - not available	<u>2,011,100</u>	<u>1,096,622</u>	<u>3,107,722</u>
Fund Balances			
Nonspendable	\$ 219,005	\$ 3,568	\$ 222,573
Restricted	801,126	562,564	1,363,690
Committed	-	3,827,955	3,827,955
Assigned	810,881	1,627,794	2,438,675
Unassigned	6,210,066	(1,254,169)	4,955,897
Total Fund Balances	<u>8,041,078</u>	<u>4,767,712</u>	<u>12,808,790</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$20,542,211</u>	<u>\$ 8,916,076</u>	<u>\$ 29,458,287</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Reconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Position - Governmental Activities
June 30, 2015

Fund Balances - Total Governmental Funds	\$ 12,808,790
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	90,408,025
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,517,091
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(1,247,554)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,107,722
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(239,946)
Bonds payable	(43,550,000)
Capital leases payable	(2,475,297)
Compensated absences	(2,026,676)
Termination benefits payable	(4,639,192)
Retired employee obligations	(1,058,510)
Pension obligations payable	(5,803,711)
Other post-employment benefits obligations payable	(3,106,320)
Deferred outflows on pensions	2,318,676
Deferred inflows on pensions	(1,438,669)
	<u>(62,019,645)</u>
Net Position of Governmental Activities	<u>\$ 44,574,429</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Masuk and Fawn Hollow Roof Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$71,851,017	\$ -	\$ -	\$71,851,017
Intergovernmental	12,698,512	-	2,904,258	15,602,770
Licenses, permits and other charges	619,293	-	-	619,293
Charges for services	241,739	-	4,277,912	4,519,651
Contributions	-	-	312,305	312,305
Investment earnings (loss)	(57,786)	-	2,662	(55,124)
Miscellaneous	212,156	-	52,439	264,595
Total Revenues	<u>85,564,931</u>	<u>-</u>	<u>7,549,576</u>	<u>93,114,507</u>
EXPENDITURES				
Current expenditures				
General government	8,538,034	-	1,199	8,539,233
Public safety	6,426,696	-	1,469,074	7,895,770
Public works	3,605,026	-	550,944	4,155,970
Health and welfare	259,413	-	87,479	346,892
Culture and recreation	1,550,706	-	1,200,564	2,751,270
Education	58,009,142	-	3,940,175	61,949,317
Debt service				
Principal	4,589,519	-	-	4,589,519
Interest	1,301,544	29,418	-	1,330,962
Bond issuance costs	87,478	45,424	50,202	183,104
Capital outlay	<u>78,645</u>	<u>2,175,810</u>	<u>1,231,808</u>	<u>3,486,263</u>
Total Expenditures	<u>84,446,203</u>	<u>2,250,652</u>	<u>8,531,445</u>	<u>95,228,300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,118,728</u>	<u>(2,250,652)</u>	<u>(981,869)</u>	<u>(2,113,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	409,400	-	1,204,213	1,613,613
Transfers out	(926,987)	(486,865)	(219,761)	(1,633,613)
Issuance of long-term debt	-	2,950,000	3,270,000	6,220,000
Premium on financing	-	62,602	69,394	131,996
Total Other Financing Sources (Uses)	<u>(517,587)</u>	<u>2,525,737</u>	<u>4,323,846</u>	<u>6,331,996</u>
Net Change in Fund Balance	601,141	275,085	3,341,977	4,218,203
Fund Balances - Beginning of Year	<u>7,439,937</u>	<u>(275,085)</u>	<u>1,425,735</u>	<u>8,590,587</u>
Fund Balances - End of Year	<u>\$ 8,041,078</u>	<u>\$ -</u>	<u>\$ 4,767,712</u>	<u>\$12,808,790</u>

The notes to financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 4,218,203</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay expenditures	3,882,403
Depreciation expense	<u>(4,678,882)</u>
	<u>(796,479)</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	(475,389)
Revenues in the Waste Disposal Fund	21,775
Revenues in the Police Private Duty Fund	72,303
Revenues in the EMS Fund	37,458
Grant revenues in the Pepper Street Grant Fund	(32,360)
Grant revenues in the Police Renovation Fund	<u>500,000</u>
	<u>123,787</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Proceeds from long-term debt - general obligation bonds	(6,220,000)
Premium on issuance of long-term debt	(131,997)
Principal payments on long-term debt	4,589,519
Amortization of loss on refunding bonds, issuance premium and issuance costs	<u>183,493</u>
	<u>(1,578,985)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	(128,473)
Change in compensated absences	(72,125)
Change in termination benefits	(347,289)
Change in retired employee obligations	(24,071)
Change in pension liability	(17,599)
Change in other post employment benefits liability	(48,135)
Change in MERS pension liability and related deferred inflows and outflows	<u>166,499</u>
	<u>(471,193)</u>
<p>Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>	
	<u>(201,089)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,294,244</u>

Town of Monroe, Connecticut

Statement of Net Position
Internal Service Funds
June 30, 2015

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
Current Assets	
Cash and equivalents	\$ 1,892,497
Receivables	
Due from other funds	<u>544,122</u>
Total Assets	<u>2,436,619</u>
LIABILITIES	
Current Liabilities	
Accounts payable	478
Claims payable	<u>554,003</u>
Total Current Liabilities	<u>554,481</u>
Noncurrent Liabilities	
Claims payable	<u>365,047</u>
Total Liabilities	<u>919,528</u>
NET POSITION	
Unrestricted	<u>\$ 1,517,091</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2015

	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES	
Employer contributions	\$ 5,668,500
Charges for services	<u>2,013,700</u>
Total Operating Revenues	<u>7,682,200</u>
OPERATING EXPENSES	
Claims and benefits	6,835,670
Premiums and administrative charges	<u>1,068,577</u>
Total Operating Expenses	<u>7,904,247</u>
Income (Loss) from Operations	<u>(222,047)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>958</u>
Income (Loss) Before Transfers	(221,089)
Transfers in	<u>20,000</u>
Change in Net Position	(201,089)
Net Position - Beginning of Year	<u>1,718,180</u>
Net Position - End of Year	<u>\$ 1,517,091</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Governmental Activities
	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from employer contributions	\$ 5,668,500
Cash received from charges for services	2,013,700
Cash payments for benefits and claims	(6,898,106)
Cash payments to vendors and others	<u>(1,074,273)</u>
Net Cash from Operating Activities	<u>(290,179)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	<u>20,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>958</u>
Net Increase (Decrease) in Cash and Equivalents	(269,221)
Cash and Equivalents - Beginning of Year	<u>2,161,718</u>
Cash and Equivalents - End of Year	<u>\$ 1,892,497</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Income (loss) from operations	\$ (222,047)
Changes in operating assets and liabilities	
Due from other funds	(25,696)
Accounts payable	(2,362)
Risk management claims payable	<u>(40,074)</u>
Net Cash from Operating Activities	<u>\$ (290,179)</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Pension Trust Funds	Private Purpose Trust Fund - School Scholarships	Agency Funds
ASSETS			
Cash	\$ -	\$ 63,402	\$ 209,619
Investments, at fair value	20,517,334	-	-
Due from other funds	-	-	1,239,536
Accrued interest and dividends	<u>4</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>20,517,338</u>	 <u>63,402</u>	 <u>1,449,155</u>
LIABILITIES			
Accounts payable and due to others	<u>-</u>	<u>-</u>	<u>1,449,155</u>
NET POSITION			
Restricted for pensions and other purposes	<u>\$ 20,517,338</u>	<u>\$ 63,402</u>	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

Town of Monroe, Connecticut

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2015

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Fund - School Scholarships</u>
ADDITIONS		
Contributions		
Employer	\$ 759,221	\$ -
Plan members	<u>345,068</u>	<u>-</u>
Total Contributions	<u>1,104,289</u>	<u>-</u>
Investment Income		
Net change in fair value of investments	471,826	-
Interest and dividends	<u>264,942</u>	<u>5</u>
Total Investment Income	<u>736,768</u>	<u>5</u>
Total Additions	<u>1,841,057</u>	<u>5</u>
DEDUCTIONS		
Benefit payments	991,172	4,300
Administrative expenses	<u>124,911</u>	<u>340</u>
Total Deductions	<u>1,116,083</u>	<u>4,640</u>
Change in Net Position	<u>724,974</u>	<u>(4,635)</u>
Net Position - Beginning of Year	<u>19,792,364</u>	<u>68,037</u>
Net Position - End of Year	<u>\$20,517,338</u>	<u>\$ 63,402</u>

The notes to financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

The Town of Monroe, Connecticut ("Town") was incorporated in 1823. The Town operates under a Selectman/Council form of government. The Selectman is the chief executive officer and the Town Council (made up of nine members) is the legislative body of the Town. The Town Council may enact, amend or repeal ordinances and resolutions. The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Council approval. The Board of Education is responsible for operation of the school system.

The Town operates under a charter and provides the following services as authorized by such: public safety, public works, recycling, health and welfare, culture and recreation, education, planning and zoning and general administration.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

1. Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and the Internal Service funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

1. Summary of Significant Accounting Policies (Continued)

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Masuk and Fawn Hollow Roof Fund – This capital project fund is used to account for the revenues and expenditures associated with the roof renovations at Masuk High School and Fawn Hollow Elementary School. This fund closed during the year.

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

- Library Grants – Various federal, state and local grants received for the library.
- Wheeler Library – Revenue received from the Edith S. Wheeler Trust for the benefit of the library.
- School Cafeteria – Operations of the schools' cafeterias funded by federal grants and faculty and student meal purchases.
- Education Grants – Various federal, state and local grants received for educational purposes.
- Education Programs – Educational programs, athletic team surcharges, facility usage fees and other miscellaneous Board of Education program revenues to be used for the various educational and extracurricular activities for which the fees were collected.
- WMNR Radio Station – Private donations received which fund the operations of the WMNR Radio Station.
- Police Grants – Various federal, state and local grants received for law enforcement.
- Police Private Duty – Private duty police assignment revenue (i.e. traffic control) used to cover the associated private duty labor and vehicle costs. From time to time, the surplus in this fund is transferred to the Town's General Fund.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

1. Summary of Significant Accounting Policies (Continued)

- Recreation Programs – Parks and Recreation program revenue used to cover the associated expenditures required to run various programs by Parks and Recreation. From time to time, the surplus in this fund is either transferred to the Town's General Fund or appropriated for a capital expenditure at one of the Town's parks.
- Senior Center Grant and Program – Grant and program revenue used to fund various program expenditures at the Senior Center for the benefit of senior citizens.
- Emergency Medical Service – Agent billing revenue from patient transportation used to fund EMS operations.
- Town Grants and Programs – Grant, donation and program revenue received by the Town for various specified purposes.
- Local Capital Improvements – State grant revenue and corresponding expenditures relating to the Local Capital Improvement Program (LOCIP).
- Town Road Grants – Town Aid Road and Municipal Projects grant revenue received from the State, and all related expenditures.
- Waste Disposal – Refuse hauler fees and dump truck ticket revenue used to fund the Town's proportionate usage of the Trumbull Transfer Station.

Capital Projects Funds - Capital project funds are used to account for the acquisition of major capital facilities or improvements other than those financed by proprietary funds. The following are the Town's non-major capital projects funds:

- Plan of Conservation and Development – This is funded on an annual basis with an appropriation from the General Fund and is used to account for expenditures related to the updating and implementation of the Plan of Conservation and Development (PCOD).
- Capital Reserve – To account for non-major capital projects and acquisitions which, by their nature, occur over the course of multiple years. These projects are either funded through transfers appropriated from the General Fund or proceeds received from the issuance of General Obligation Bonds.
- Road Construction and Reconstruction – To account for all road construction and reconstruction projects (paving, drainage, etc.) which are funded with the issuance of General Obligation Bonds.
- Reconstruction of Pepper Street – To account for the grant revenue and related expenditures for the reconstruction of Pepper Street. This project is being funded utilizing federal funds under the STP Urban Component of the Surface Transportation Program. Eighty percent (80%) will be funded with federal funds, ten percent (10%) with state funds and the remaining ten percent (10%) with Town funds.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

1. Summary of Significant Accounting Policies (Continued)

- Police Department Renovation – To account for the revenue and expenditures related to the renovation of the police station. This project was funded with the issuance of General Obligation Bonds and a \$500,000 state grant.
- Education Capital Reserve – Established pursuant to Section 10-248a of the Connecticut General Statutes, it has historically been funded with the transfer of any Board of Education budget surplus which remains at the end of a fiscal year.
- Capital Financing – This fund is used to internally finance certain capital vehicle and equipment purchases. An appropriation is budgeted in the general fund on an annual basis and is transferred into this fund. The vehicle and equipment purchases made through this fund are amortized over a period not to exceed 5 years. The amortization expense within the fund for any given year must not be greater than the budget appropriation to be transferred into the fund for that fiscal year. This fund is expected to carry a deficit fund balance.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs. The Town has the following permanent fund:

- Cornelia Rogers – This fund was established in 1911 with a contribution of \$2,250. The principal of the fund is to remain intact, and the annual income is to be used from time to time as the Town may authorize.
- b. Proprietary Funds - Proprietary funds include internal service funds. Internal Service funds are used to account for those operations that provide services to the Town. The following are the Town's non-major internal service funds:
- Town Dental – is used to account for the Town's Dental plan.
 - Board of Education Medical and Dental – is used to account for the Board of Education's Medical and Dental plans.
 - Heart and Hypertension – is used to account for Heart and Hypertension claims of police officers.
 - Post-Retirement Benefits – is used to account for Other Post-Employment Benefits provided to police after retirement. Subsequent to yearend the Town established a Trust Fund for these benefits.
- c. Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension Trust, Private Purpose Trust and Agency funds. The Pension Trust Fund is provided to account for the activities of the Town of Monroe Retirement Income Plan. This Plan is a defined pension plan, which accumulates resources in two separate asset pools for pension benefit payments to qualified employees upon retirement. One asset pool is for the benefit of qualified Board of Education employees and the other is for qualified Town of Monroe employees. The Private Purpose Trust Fund was established to fund scholarships for students in the schools. Agency Funds are primarily utilized to account for monies held as custodian for outside student groups and performance bonds.

1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 (current assets less current liabilities) or economic resources (all assets and liabilities). 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*, as are the proprietary funds and pension trust funds. The Agency Fund has no measurement focus, but utilizes 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.

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.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable 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 leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

1. Summary of Significant Accounting Policies (Continued)

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

Investments - The investment policies of the Town conform to the policies as set forth by the State of Connecticut and Chapter VIII, Section 7(e) of the Town Charter. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

Investments are stated at fair value, based on quoted market prices.

The pension and self-insurance funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, infrastructure limited partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

1. Summary of Significant Accounting Policies (Continued)

These funds are each considered a “2a7-like” pool and, as such, report its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pooled investment funds’ risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town’s formalized investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Policy does suggest that investments be undertaken in a manner to protect against the erosion of market prices from rising interest rates. The Town’s investment policy does not pertain to the Pension Trust Fund and the Internal Service Fund investments. Investment policies have not been formalized for these funds.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity’s complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government’s investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town’s deposits cannot be 75% or more of the total capital of any one depository.

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

1. Summary of Significant Accounting Policies (Continued)

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. 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.

Intangible assets lack physical substance, is nonfinancial in nature and it's useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town is depreciated or amortized using the straight line method over the following estimated useful lives:

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

1. Summary of Significant Accounting Policies (Continued)

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land improvements	20-30	\$ 5,000
Buildings and improvements	20-40	\$ 5,000
Machinery and equipment	5-12	\$ 5,000
Vehicles	3-15	\$ 5,000
Infrastructure	30-50	\$ 5,000

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

As of June 30, 2015, \$1,438,669 was reported as deferred inflows of resources in the government-wide Statement of Net Position (Exhibit 1). This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. This balance is attributable to the net difference between projected and actual investment earnings on the pensions. This will be amortized over time in accordance with the pension assumptions.

As of June 30, 2015, \$3,065,183 was reported as deferred outflows of resources in the government-wide Statement of Net Position (Exhibit 1). Deferred amount on refunding, totaling \$746,507 resulted from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, \$2,318,676 was reported as deferred outflows of resources for pension for the various pension plans.

Also, deferred revenues in the fund financial statements (Exhibit 3) are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences and Termination Benefits – Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by union contract, regulation or policy. Additionally, Board of Education administrators and teachers are eligible for retirement incentive amounts that are amortized over four years upon retirement.

All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the government fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Net Pension Liability in the Municipal Employee Retirement System

The net pension liability includes the Town's proportionate share of the net pension liability of the Connecticut Municipal Employees Retirement System ("MERS") as well as its own pension funds. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions* and 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.

1. Summary of Significant Accounting Policies (Continued)

- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion by the Town Council or Board of Finance is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted 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. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

1. Summary of Significant Accounting Policies (Continued)

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

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 25, 2016.

2. Stewardship, Compliance and Accountability

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **General Government Accrued Payroll** – The general government records its payroll on a cash basis of accounting for budgetary purposes.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Gains and/or Losses on Investments** – The Town does not budget for gains and/or losses on investments in its budgetary basis statements.
- **Payments out of Reserve Accounts** – Certain payments out of reserve accounts have been traditionally excluded from the budget.
- **Health district operations** – The Town's local health district operations are excluded from the budget. These operations were terminated during the year.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

2. Stewardship, Compliance and Accountability (Continued)

B. Budget Calendar

All departments, agencies, boards, commissions, committees, and authorities including the Board of Education submit an estimate of proposed revenues and expenditures to the Director of Finance and First Selectman. The First Selectman presents the proposed budget to the Town Council no later than February 8th.

The Town Council reviews the proposed budget and makes revisions deemed necessary. During the Town Council's review process, the Town Council will hold a public hearing. The Town Council presents the proposed budget to the Board of Finance no later than February 28th.

The Board of Finance reviews the proposed budget and makes revisions deemed necessary. During the Board of Finance's review process, the Board of Finance will hold a public hearing. The Board of Finance forwards its final proposed budget to the First Selectman no later than March 21st.

The First Selectman prepares the final proposed budget and submits it to the annual budget referendum, which is held on the first Tuesday in April of each year. After the budget is approved at referendum, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

Upon request of the First Selectman, the Board of Finance may transfer any unencumbered appropriation, balance, or portion thereof from one office, agency, board or commission to another within the fiscal year. No transfer may be made from any appropriations for debt service or other statutory charges. Additional appropriations shall not be made except from the contingency fund. Appropriations from the contingency fund shall be approved by the First Selectman, the Town Council, and the Board of Finance. The contingency fund is not to exceed one half of one mill of the grand list within the annual budget. Transfers within a department must be approved by Town Council.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2015

2. Stewardship, Compliance and Accountability (Continued)

D. Application of Accounting Standards

For the year ended June 30, 2015, the Town implemented:

- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency.
- GASB Statement 69 – *Government Combinations and Disposals of Government Operations* - This statement establishes accounting and financial reporting standards related to a variety of transactions such as mergers, acquisitions, and transfers of operations.
- GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – This statement is an amendment of GASB Statement 68 and should be applied simultaneously with the provisions of Statement 68.

E. Fund Deficit

The following funds had deficit unassigned fund balances at June 30, 2015. These are expected to be covered by receivables which were not available so that no revenue was recorded as of June 30th; future revenues into the fund; or, a transfer from the General Fund or other existing fund:

	Deficit	Expected Coverage		
		Collection of Receivables	Future Revenues	Internal Transfers
Special Revenue Funds				
Police Grants	\$ 1,112	\$ -	\$ 1,112	\$ -
Emergency Medical Services	103,904	63,223	40,681	-
Waste Disposal	6,658	6,658	-	-
Capital Projects Funds				
Capital Reserve	417,899	-	417,899	-
Reconstruction of Pepper Street	94,925	49,765	45,160	-
Police Department Renovation	482,458	482,458	-	-
Capital Financing	147,213	-	-	147,213

F. Prior Period Adjustment

A number of funds were combined on the financial statements. Town Grants and Programs now contains the Canine, Miscellaneous Town Donations, and Exchange Programs Funds. Senior Center Grant and Program now contains the Senior Center and the Senior Citizen Programs Funds. Capital Reserve now contains the Chalk Hill Asbestos, Fire Cistern Grant, Food Pantry Paving and Land Use Grants Funds.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

2. Stewardship, Compliance and Accountability (Continued)

A number of corrections to beginning balances were made. These were treated as prior period adjustments in that the beginning balances of equity were corrected to reflect the changes summarized as follows:

	Fund Financial Statements		Government Wide Statements	
	Increase	Decrease	Increase	Decrease
Governmental Activities				
General Fund				
Reclassify reserves from liability to equity				
Enernoc	34,396	-	34,396	-
Wheeler Library project	1,815	-	1,815	-
Tax collector fees	27,904	-	27,904	-
Copying	30,000	-	30,000	-
Actuarial report	29,425	-	29,425	-
Annual report	3,000	-	3,000	-
Donation for Senior Center	403,645	-	403,645	-
Donation for Parks and Recreation	403,645	-	403,645	-
Correction for				
Deferred revenue - watermain	-	-	68,043	-
Record BOE accrued payroll on gross pay	-	(210,892)	-	(210,892)
MUNIS implementation balances	102,247	-	102,247	-
Move revaluation reserve to Capital Reserve	-	(97,858)	-	-
Remove Capital Financing	32,024	-	-	-
Driveway bond balance	8,315	-	8,315	-
Total General Fund	1,076,416	(308,750)		
Correction for deferred/unearned revenue				
Emergency Medical Service	-	(25,765)	-	-
Fire Cistern STEAP Grant	-	(100,332)	-	-
Reconstruction of Pepper Street	-	(82,125)	-	-
Board of Education Capital Reserve	-	(289,224)	-	-
Town Road Grants	-	(119,357)	-	(119,357)
Remove from the General Fund				
Move revaluation reserve to Capital Reserve	97,858	-	-	-
Record Capital Financing	-	(32,024)	-	-
Capital Assets				
To record 2013-14 capital additions			273,808	-
To record depreciation on 2013-14 additions			-	(217,895)
To correct depreciation			13,566	-
Reclassify Munis as an operating lease			-	(457,637)
Long Term Debt				
Reclassify Munis as an operating lease			198,190	-
Correction for compensated absences			3,793,027	-
Total Adjustments to Governmental Activities	1,174,274	(957,577)	5,391,026	(1,005,781)

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

2. Stewardship, Compliance and Accountability (Continued)

G. Cumulative Effect of Change in Accounting Principle

For the year ended June 30, 2015, the Town implemented GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions* and 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures.

These statements also require the identification of the methods and assumptions that should 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.

As a result of adopting these standards, the government-wide financial statements reflect a cumulative effect for the change in accounting principle to record the Net Pension liability for the following:

Town pension (net pension asset)	\$ (103,315)
Board of Education pension	2,111,431
Municipal Employees Retirement System	<u>2,280,429</u>
	<u>\$ 4,288,545</u>

3. Detailed Notes on All Funds

A. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2015:

Statement of Net Position	
Cash and equivalents	\$ 15,545,175
Investments	<u>4,253,687</u>
	<u>19,798,862</u>
Fiduciary Funds	
Cash and equivalents	273,021
Investments	<u>20,517,334</u>
	<u>20,790,355</u>
Total Cash and Investments	<u>\$ 40,589,217</u>

Cash and Cash Equivalents - As of June 30, 2015 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 15,611,453
Plus external investment pools	<u>206,743</u>
	<u>\$ 15,818,196</u>

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

The bank balance of the deposits was \$15,908,629 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,230,904
Uninsured and uncollateralized	14,677,725
	<u>\$ 15,908,629</u>

Investments – Investments reported in Governmental Funds are summarized as follows:

	General Fund	Other Governmental Funds	Total Investments
Mutual funds - money market	\$ -	\$ 267,385	\$ 267,385
U.S. Agency Bonds	3,986,302	-	3,986,302
	<u>\$ 3,986,302</u>	<u>\$ 267,385</u>	<u>\$ 4,253,687</u>

Investments reported in Fiduciary Funds are summarized as follows:

	Town Employees' Retirement Plan	Board of Education Pension Plan	Total Investments
Mutual funds			
Equity	\$ 6,501,449	\$ 6,869,702	\$ 13,371,151
Money market	551,782	113,020	664,802
Bonds	2,899,247	3,081,849	5,981,096
Other	241,394	258,891	500,285
	<u>\$ 10,193,872</u>	<u>\$ 10,323,462</u>	<u>\$ 20,517,334</u>

Below is a summary of the interest rate risk and credit risk as of June 30, 2015:

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Mutual funds					
Equity	NA	\$ 13,371,151	\$ 13,371,151	\$ -	\$ -
Money market	NA	932,187	-	932,187	-
Bonds	BBB	5,981,096	5,981,096	-	-
Other	NA	500,285	500,285	-	-
U.S Agency Bonds	NA	3,986,302	-	-	3,986,302
Total		<u>\$ 24,771,021</u>	<u>\$ 19,852,532</u>	<u>\$ 932,187</u>	<u>\$ 3,986,302</u>

B. Receivables, Deferred Revenue and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end:

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

	General Fund	Other Governmental Funds
Property taxes	\$ 955,885	\$ -
Usage fees	-	157,301
Intergovernmental revenue	987,172	939,321
Other	68,043	-
	<u>\$ 2,011,100</u>	<u>\$ 1,096,622</u>

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2015:

	General Fund	Other Governmental Funds
Taxes collected in advance	\$ 96,468	\$ -
Advances on grants	-	1,139,414
Fees collected in advance	-	172,610
	<u>\$ 96,468</u>	<u>\$ 1,312,024</u>

C. Interfund Transactions

The outstanding balances between funds result mainly 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. At June 30, 2015 these were summarized as follows:

Receivable fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 1,186,793
Other Governmental Funds	General Fund	6,370,658
Proprietary Funds	General Fund	544,122
Fiduciary Funds	General Fund	1,239,536
		<u>\$ 9,341,109</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2015 were as follows:

	Transfers into			Total
	General Fund	Other Governmental Funds	Proprietary Funds	
Transfers out of				
General Fund	\$ -	\$ 906,987	\$ 20,000	\$ 926,987
Masuk and Fawn Hollow	360,195	126,670	-	486,865
Other governmental funds	49,205	170,556	-	219,761
	<u>\$ 409,400</u>	<u>\$ 1,204,213</u>	<u>\$ 20,000</u>	<u>\$ 1,633,613</u>

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

D. Capital Assets

Changes in the Town's capital assets used in the governmental activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 13,922,971	\$ -	\$ -	\$ 13,922,971
Construction in progress	7,232,111	2,709,363	(9,510,136)	431,338
	<u>21,155,082</u>	<u>2,709,363</u>	<u>(9,510,136)</u>	<u>14,354,309</u>
Capital assets being depreciated				
Land improvements	2,631,207	-	-	2,631,207
Buildings and systems	96,138,518	9,012,710	-	105,151,228
Machinery and equipment	9,876,018	394,962	-	10,270,980
Vehicles	10,467,893	571,617	(270,587)	10,768,923
Infrastructure	68,756,863	703,887	-	69,460,750
	<u>187,870,499</u>	<u>10,683,176</u>	<u>(270,587)</u>	<u>198,283,088</u>
Less accumulated depreciation	<u>(117,821,077)</u>	<u>(4,678,882)</u>	<u>270,587</u>	<u>(122,229,372)</u>
	<u>\$ 91,204,504</u>	<u>\$ 8,713,657</u>	<u>\$ (9,510,136)</u>	<u>\$ 90,408,025</u>

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 85,217
Public safety	675,053
Public works	1,127,175
Culture and recreation	349,356
Education	2,442,081
	<u>\$ 4,678,882</u>

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 41,445,000	\$ 6,220,000	\$ (4,115,000)	\$ 43,550,000	\$ 4,585,000
Capital leases	2,949,814	-	(474,517)	2,475,297	214,433
Compensated absences	1,954,551	72,125	-	2,026,676	744,126
Special termination benefits	4,291,903	347,289	-	4,639,192	504,400
Retired employee obligations	1,034,439	24,071	-	1,058,510	463,568
Pension obligations	5,667,941	1,628,437	(1,492,667)	5,803,711	-
OPEB obligations	3,058,185	845,275	(797,140)	3,106,320	-
Unamortized premium	2,045,559	131,996	(183,494)	1,994,061	-
	<u>\$ 62,447,392</u>	<u>\$ 9,269,193</u>	<u>\$ (7,062,818)</u>	<u>\$ 64,653,767</u>	<u>\$ 6,511,527</u>

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily the General Fund.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2015

3. Detailed Notes on All Funds (Continued)

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2015 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Various School and General Projects	2009	\$ 18,975,000	5/1/2024	2-5%	\$ 11,500,000
Various School and General Projects	2010	\$ 10,805,000	4/1/2026	2-4%	9,030,000
Purchase of Vehicles/Road Repairs	2010	\$ 5,325,000	9/15/2025	2-3%	4,250,000
Various School and General Projects	2012	\$ 8,785,000	12/15/2023	2-3%	5,760,000
General and School Renovations	2012	\$ 3,605,000	5/15/2027	2-3%	3,155,000
General and School Renovations	2012	\$ 460,000	5/15/2022	2.375-3.5%	360,000
Paving/Roof Improvements	2014	\$ 3,275,000	2029	2-4%	3,275,000
Paving/Roof Improvements	2015	\$ 6,220,000	4/15/2030	2-3%	6,220,000
					\$ 43,550,000

Payments to maturity on the general obligation bonds are as follows

Year End	General Obligation Bonds		Year End	General Obligation Bonds	
	Principal	Interest		Principal	Interest
2016	\$ 4,585,000	\$ 1,352,211	2024	\$ 3,155,000	\$ 267,010
2017	5,045,000	1,206,284	2025	2,415,000	181,870
2018	4,440,000	1,040,727	2026	1,670,000	115,876
2019	4,305,000	885,952	2027	995,000	73,920
2020	4,070,000	730,677	2028	660,000	47,370
2021	4,065,000	595,515	2029	655,000	29,770
2022	3,925,000	464,646	2030	440,000	11,880
2023	3,125,000	352,814		\$ 43,550,000	\$ 7,356,522

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2015 totaled \$1,417,259.

Capital Leases Payable

The Town has entered into multi-year lease agreements to finance the acquisition of vehicles and building improvements. The cost of the vehicles and improvements is included in the capital assets with a cost of \$5,483,550 and accumulated depreciation of \$1,921,934. These leases qualify as capital leases for accounting purposes. The Town's capital lease obligation at June 30, 2015 is as follows:

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

Total payments on capital lease(s) for year ending		
	2016	\$ 412,917
	2017	413,877
	2018	338,230
	2019	296,874
	2020	297,196
	2021	297,525
	2022	297,865
	2023	298,218
		<u>2,652,702</u>
Less the amount representing interest		(177,405)
Present value of future minimum lease payments		<u>\$ 2,475,297</u>

Interest incurred and expensed on capital leases payable for the year ended June 30, 2015 totaled \$51,467.

Operating Leases Payable

The Town is a lessee in an operating lease as follows:

Lease of		<u>Munis software</u>
Total payments on operating lease(s) for year ending		
	2016	\$ 113,010
	2017	112,930
	2018	112,930
	2019	28,233
		<u>\$ 367,103</u>

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Certain Board of Education employees are granted retirement incentive payments payable over four years upon retirement. Management estimate's the net present value of all compensated absences has been reflected in the government-wide financial statements as of June 30, 2015 is as follows:

Town		
Vested - Vacation	\$	396,571
Board of Education		
Vested		
Sick		892,711
Vacation		81,597
Non-vested		
Sick		655,797
		<u>\$ 2,026,676</u>

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

Special Termination Benefits

Termination benefits represent the present value of future benefits to be paid to former employees. Certain Board of Education employees were granted retirement awards based on years of service and other provisions in their contracts. The net present value of all special termination benefits has been reflected in the government-wide financial statements. Management's estimate of the vested and non-vested potential liability for payments to employees as of June 30, 2015 is as follows:

Vested	\$ 2,015,339
Non-vested	<u>2,623,853</u>
	<u>\$ 4,639,192</u>

Retired Employee Obligations

Board of Education retirement obligations represent payments owed to retired employees for termination benefits and payments for unused compensated absences that are payable over several years. The net present value of all retired employee obligations has been reflected in the government-wide financial statements. The Town's retired employee obligation as of June 30, 2015 is payable as follows:

<u>Year End</u>	
2016	\$ 441,493
2017	404,373
2018	95,022
2019	41,135
2020	39,176
2021	<u>37,311</u>
	<u>\$ 1,058,510</u>

Prior Year Defeasance of Debt

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2015, \$25,454,500 of bonds outstanding are considered defeased.

Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Monroe, Connecticut are as follows:

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 161,966,594	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	323,933,189	-	-	-
3 3/4 times base	-	-	269,944,324	-	-
3 1/4 times base	-	-	-	233,951,747	-
3 times base	-	-	-	-	215,955,459
Total debt limitation	<u>\$ 161,966,594</u>	<u>\$ 323,933,189</u>	<u>\$ 269,944,324</u>	<u>\$ 233,951,747</u>	<u>\$ 215,955,459</u>
Indebtedness					
Bonds payable	\$ 21,321,000	\$ 22,229,000	\$ -	\$ -	\$ -
Amount to be provided by CT	-	(987,172)	-	-	-
Total indebtedness	<u>\$ 21,321,000</u>	<u>\$ 21,241,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 140,645,594</u>	<u>\$ 302,691,361</u>	<u>\$ 269,944,324</u>	<u>\$ 233,951,747</u>	<u>\$ 215,955,459</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$ 503,896,071</u>

F. Net Postion

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Nonexpendable – the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$2,250 of trust principal.

Restricted Net Position – Expendable – the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds.

This is made up of:

General Government	\$ 642,809
Education	1,532
Culture and Recreation	636,620
Capital Projects	26,846
Other Purposes	55,883
	<u>\$ 1,363,690</u>

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

3. Detailed Notes on All Funds (Continued)

G. Fund Balances

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Other Governmental Funds
Nonspendable		
Not in spendable form		
Prepaid expenditures	\$ -	\$ 1,318
Long-term receivables	219,005	-
Required to be maintained		
Trust principal	-	2,250
	<u>\$ 219,005</u>	<u>\$ 3,568</u>
Restricted		
General Government	\$ 397,481	\$ 245,328
Education	-	1,532
Culture and Recreation	403,645	232,975
Capital Projects	-	26,846
Other Purposes	-	55,883
	<u>\$ 801,126</u>	<u>\$ 562,564</u>
Committed		
Capital Projects	<u>\$ -</u>	<u>\$ 3,827,955</u>
Assigned		
General Government	\$ 379,083	\$ 163,825
Education	14,891	371,605
Public Safety	-	138,439
Culture and Recreation	-	645,077
Debt	409,400	-
Capital Projects	-	304,645
Other Purposes	7,507	4,203
	<u>\$ 810,881</u>	<u>\$ 1,627,794</u>

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans

A. The Retirement Plan of the Town of Monroe, Connecticut

Plan Description - The Town is the administrator of a single employer public employee retirement system ("PERS") established and administered by the Town to provide pension benefits for its general government and Board of Education employees (excluding teachers covered under the CT State Teachers' Retirement System). The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial statement as a pension trust fund. A separate stand-alone financial report is not issued. The Plan is governed by the Retirement Plans Investment Advisor Committee ("Committee") which is a subcommittee of the Board of Finance.

The Plan provides retirement benefits through a single employer contributory defined benefit plan. Members include substantially all Town and Board of Education employees, except for police department employees and teachers.

Plan Membership – As of the date of the latest actuarial valuation (July 1, 2014), membership consisted of the following:

	Town	BOE	Total
Retirees and beneficiaries receiving benefits	43	48	91
Terminated employees entitled to benefits, but not yet receiving them	28	25	53
Active members	67	89	156
	<u>138</u>	<u>162</u>	<u>300</u>

Funding Policy

Employees are required to contribute at the following percentage of salary:

Town	
Highway employees	3.00%
Clerical unit employees	4.85%
Non-union employees	3.85%
Supervisors	3.85%
Board of Education	4.75%

The Town is required to contribute the remaining amounts as determined by annual actuarial valuations.

Investment Policy – The investment policy has been to protect the assets in the fund by not having a concentration of assets in any one type of investment.

Long-term expected rate of return – The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Below shows the Board's target asset class allocation and the long-term expected rate of return calculated as geometric means:

Asset Class	Index	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income - Core	Fiduciary Investment Advisors	25.00%	1.50%
Fixed Income - Global	Fiduciary Investment Advisors	5.00%	2.00%
Equity - US Large Cap	Fiduciary Investment Advisors	25.00%	4.85%
Equity - US Small/Mid Cap	Fiduciary Investment Advisors	10.00%	5.00%
Equity - International Developed	Fiduciary Investment Advisors	20.00%	5.25%
Equity - Intl Emerging Mkts	Fiduciary Investment Advisors	7.50%	6.50%
Global REITs	Fiduciary Investment Advisors	5.00%	4.25%
Commodities	Fiduciary Investment Advisors	2.50%	2.25%

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the changing amounts actually invested during and period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a quarterly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expense as:

Net money-weighted rate of return for the year ended June 30, 2015

Town	4.15%
Board of Education	2.62%

Net Pension Liability

The components of the net pension liability of the Town as of June 30, 2015 were as follows:

	Town	BOE	Total
Total pension liability	\$ 11,711,997	\$ 12,500,967	\$ 24,212,964
Plan fiduciary net position	10,202,608	10,323,455	20,526,063
Net pension liability (asset)	\$ 1,509,389	\$ 2,177,512	\$ 3,686,901
Plan fiduciary net position as a percentage of total pension liability	87.11%	82.58%	84.77%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the July 1, 2014 valuation and projected forward to June 30, 2015:

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Valuation timing	Actuarially determined contribution rates are calculated as of July 1, twelve months prior to the beginning of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method (level percentage of salary).
Amortization method	
Level percent or level dollar	Level percent
Closed, open or layered	Open periods
Amortization period at 1/1/14	20 years
Amortization growth rate	0.00%
Asset valuation method	The expected asset value plus or minus 20% of the difference between the expected value and the market value of assets. The actuarial value will fall within the range of 70% to 130% of the market value of assets
Inflation	3.00%
Salary increases	4.00%
Investment rate of return	7.50%
Cost of living adjustment	None
Retirement age	65
Turnover	None
Pre-retirement mortality	None
Post-retirement mortality	RP-2014 Mortality Table

Sensitivity Analysis – The following presents the net pension liability (asset) of the Town, calculated using the current discount rate, as well as what the Town’s net pension would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease	Current Discount Rate	1% Increase
Town	6.50%	7.50%	8.50%
Net Pension Liability (Asset)	\$ 2,905,858	\$ 1,509,389	\$ 325,249
Board of Education	6.50%	7.50%	8.50%
Net Pension Liability (Asset)	\$ 3,691,552	\$ 2,177,512	\$ 898,010

Pension Expense – The total pension expense recognized for the year ended June 30, 2015 was \$2,216,775. Pension expense for the next 5 years will be affected by the following deferred outflows and inflows of resources for the Town:

Increase (Decrease) in Pension Expense from the Recognition of the Effects of:

	Recognized in		To Be Recognized in				
	2015	2016	2017	2018	2019	2020	Total
Differences between Expected and Actual Experience							
2015	\$ (25,975)	\$ (25,975)	\$ (25,975)	\$ (25,975)	\$ (25,975)	\$ (10,392)	\$(114,292)
Recognition of the Effects of Changes in Assumptions							
2015	\$ 108,749	\$ 108,749	\$ 108,749	\$ 108,749	\$ 108,749	\$ 43,497	\$ 478,493
Differences between Projected and Actual Earnings on Pension Plan Investments							
2015	\$ 66,893	\$ 66,893	\$ 66,893	\$ 66,893	\$ 66,891	\$ -	\$ 267,570

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

For the Board of Education:

Increase (Decrease) in Pension Expense from the Recognition of the Effects of:

	Recognized in		To Be Recognized in					Total
	2015	2016	2017	2018	2019	2020	2021	
Differences between Expected and Actual Experience								
2015	\$(138,250)	\$(138,250)	\$(138,250)	\$(138,250)	\$(138,250)	\$(138,250)	\$ (27,653)	\$(718,903)
Recognition of the Effects of Changes in Assumptions								
2015	\$ 108,559	\$ 108,559	\$ 108,559	\$ 108,559	\$ 108,559	\$ 108,559	\$ 21,712	\$ 564,507
Differences between Projected and Actual Earnings on Pension Plan Investments								
2015	\$ 99,938	\$ 99,938	\$ 99,938	\$ 99,938	\$ 99,938	\$ -	\$ -	\$ 399,752

B. Connecticut Municipal Employee's Retirement System

Plan Description

The Town's Police Department participates in the Municipal Employees' Retirement System ("MERS"). This is a cost sharing multiple employer public employee retirement system ("PERS") established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating local government authorities. The plan was established in 1947 and is governed by Connecticut General Statutes Title 7, Chapter 113.

Plan Membership – Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible.

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are paid to disabled members and non-disabled retirement benefits and vary based on member age and date of retirement. For members that retired prior to January 1, 2002, increases between 3.0% and 5.0% are paid to those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are paid to those who have not yet reached age 65.

For members that retired after December 31, 2001, increases between 2.5% and 6.0% are paid, regardless of age. Benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of the three highest paid years of service times years of service.
- If covered by Social Security: 1.5% of the average of the three highest paid years of service not in excess of the year's breakpoint, plus 2% of the average of the three highest paid years of service in excess of the year's breakpoint. The year's breakpoint for 2014 is \$69,200.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Funding Policy – Covered employees are required by State Statute to contribute 2.25% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Employees not covered by Social Security are required to contribute 5% of all earnings. Each participating municipality is required by State Statute to contribute the amounts necessary to finance the remaining costs of the plan. The annual contribution consists 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 MERS not met by member contributions.

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors. The required employer contribution rates for the year ended June 30, 2015 were:

General employees	
With social security	11.98%
Without social security	13.00%
Police and fire	
With social security	16.96%
Without social security	16.01%

The total amount contributed for the fiscal year ended June 30, 2015 was \$608,356.

Obtaining a Report of the Plan – MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The reports include information on the plan's assets, deferred outflows of resource, liabilities, deferred inflows of resources, and fiduciary net position. More information can be obtained by contacting the Municipal Employees' Retirement System – Fund B, Office of the State Comptroller or on their website (<http://www.osc.ct.gov/rbsd/cmers/plandoc/index.html>).

The Town of Monroe, Connecticut's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2015 financial statements (Reporting Date):

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Actuarial cost method	Entry Age Normal Cost method
Experience study dates	July 1, 2005 - June 30, 2010
Asset valuation method	Market value
Inflation	3.25%
Salary increases	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation using
Discount rate	8.00%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at the actuarially determined rates in future years.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.50% to 6% maximum.
Post-retirement mortality	the RP2000 Mortality Table for Annuitant and non-Annuitants

There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

Target Asset Allocation and Rates of Return – The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Index	Target Allocation	Long-term Expected Real Rate of Return
Mutual Equity Fund	Russell 3000 Index	16%	5.80%
Developed Internat'l Stock Fund	Morgan Stanley MSCI EAFE IMI	14%	6.60%
Emerging Internat'l Stock Fund	Morgan Stanley MSCI EM IMI	7%	8.30%
Core Fixed Income Fund	Barclay US Aggregate Bond Indx	8%	1.30%
Inflation Linked Bond Fund	Barclay World Inflatn Linked Indx	5%	1.00%
Emerging Market Debt Fund	JP Morgan Index-bond/govt bond	8%	3.70%
High Yield Bond Fund	Citigroup US High Yield Capped	14%	3.90%
Real Estate Fund	NCREIF Property	7%	5.10%
Private Equity	Standards & Poors 500	10%	7.60%
Alternative Investments	90 Day Treasury Bill	8%	4.10%
Liquidity Fund	1 mo. LIBOR Rate	3%	0.40%

Sensitivity Analysis – The following presents the net pension liability (asset) of the Town of Monroe, Connecticut's proportionate share of the plan, calculated using the current discount rate, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability (Asset)	<u>\$ 4,344,018</u>	<u>\$ 2,116,810</u>	<u>\$ 261,764</u>

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Town of Monroe, Connecticut's Proportionate Share

Net Pension Liability	\$	2,116,810
Net Pension Liability percentage of the total		0.888983%
Deferred outflows of resources		
Contributions subsequent to the Measurement Date	\$	608,354
Deferred inflows of resources		
Net difference projected and actual earnings on investments	\$	605,474
Pension expense	\$	445,342
Proportion Basis		Reported Payroll
Change in proportion since prior measurement date		None for 2015

The contributions subsequent to the measurement date, shown as a deferred inflow of resources, will be recognized as a reduction of the net pension liability next year. Other amounts reported at deferred inflows of resources will be recognized in pension expense as follows:

2015	\$	151,369
2016		151,369
2017		151,369
2018		151,367
	\$	<u>605,474</u>

C. Teachers' Retirement System

Plan Description

Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System, a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers' Retirement System is administered by the Teachers' Retirement Board.

Plan Membership – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

Funding Policy – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Members are required to contribute six percent of their annual salary for the pension benefit.

The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2015 financial statements (Reporting Date):

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	3.00%
Salary increases	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense, including inflation
Discount rate	8.50%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.00% to 6.00%
Post-retirement mortality	RP-2000 Combined Mortality Table projected 19 years

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Changes in Assumptions – In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Target Asset Allocation and Rates of Return – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	7.30%
Developed Non-U.S. Equities	18.00%	7.50%
Emerging Markets (Non-U.S.)	9.00%	8.60%
Core Fixed Income	7.00%	1.70%
Inflation Linked Bond Fund	3.00%	1.30%
Emerging Market Bond	5.00%	4.80%
High Yield Bonds	5.00%	3.70%
Real Estate	7.00%	5.90%
Private Equity	11.00%	10.90%
Alternative Investments	8.00%	0.70%
Liquidity Fund	6.00%	0.40%

Town's Proportionate Share of the Collective Net Pension Liability

Town's Net Pension Liability	\$ -
State's share of the Net Pension Liability associated with the Town	71,141,153
Net Pension Liability	<u>\$ 71,141,153</u>
Net Pension Liability percentage of the total	0.701489%
Deferred outflows of resources	
Contributions subsequent to the Measurement Date	\$ -
Deferred inflows of resources	
Net difference projected and actual earnings on investments	\$ 5,845,859
Pension expense	\$ 5,337,620
Proportion Basis	Employee contributions
Change in proportion since prior measurement date	None for 2015

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Other amounts reported as deferred inflows of resources will be recognized in pension expense by the State as follows:

2015	\$ 1,461,465
2016	1,461,465
2017	1,461,465
2018	1,461,464
	<u>\$ 5,845,859</u>

Sensitivity Analysis – The following presents the net pension liability (asset) of the Town of Monroe, Connecticut’s proportionate share of the plan, calculated using the current discount rate, as well as what the Town’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
Net Pension Liability (Asset)	<u>\$ 90,786,194</u>	<u>\$ 71,141,153</u>	<u>\$ 54,442,344</u>

Support Provided by Nonemployer Contributing Entities – The Town has recognized \$5,337,620 as revenue in support provided by the State of Connecticut’s contributions to the plan on behalf of the Town’s employees.

Obtaining a Report of the Plan – Teachers’ Retirement System is considered to be a part of the State of Connecticut’s financial reporting entity and is included in the State’s financial reports as a pension trust fund. The reports include information on the plan’s assets, deferred outflows of resource, liabilities, deferred inflows of resources, and fiduciary net position. The stand-alone financial report may be obtained through the Teachers’ Retirement Board at www.ct.gov/trb.

D. Other Post-Employment Benefits (“OPEB”)

From an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town’s future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

1) Town Police Plan

Plan Description - The Town provides certain health care benefits for retired police employees through a single-employer defined benefit plan administered by the Town of Monroe, Connecticut in accordance with the police collective bargaining agreements. The plan does not issue a separate financial statement.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Eligibility	Police with 25 years of service are eligible for pre-65 medical coverage at retirement.
Cost Sharing	The retiree pays 25% of the cost of single coverage and 25% of the HRS single deductible. The Town pays the remaining. The retiree pays 100% of the cost of coverage for the spouse (if applicable)
Duration	The earlier of age 65 or 15 years of coverage at retirement. No coverage thereafter.
Retirees – Post 65	No coverage for retiree or spouse after age 65.

Annual OPEB Cost (“AOC”) and Net OPEB Obligation (“NOO”)

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2014	\$ 766,000
Assets at Market Value	-
Unfunded Actuarial Accrued Liability (“UAAL”)	<u>\$ 766,000</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 3,129,570
UAAL as a Percentage of Covered Payroll	24.48%
Annual Required Contribution	\$ 179,057
Interest on Net OPEB Obligation	26,830
Adjustment to Annual Required Contribution	<u>(35,031)</u>
Annual OPEB Cost	170,856
Contributions made	<u>(27,390)</u>
Increase in net OPEB Obligation (Asset)	143,466
Net OPEB Obligation (Asset) - Beginning of the year	596,232
Net OPEB Obligation (Asset) - End of the year	<u>\$ 739,698</u>

Actuarial Methods and Significant Assumptions - The Town’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees’ medical insurance. As a result, reporting of expenses and liabilities is using a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Discount Rate	7.00%
Medical Inflation	9% for 2014, reducing .5% per year to a final 5% for 2022 and later
Amortization Method	Level dollar amortization
Amortization	30 years, open
Mortality	RP-2000 Mortality Table, projected to the valuation date with Scale BB
Participation	90%
Retirement	Based on percentages at differing ages

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2013	\$ 158,117	\$ 46,500	29.4%	\$ 457,993
6/30/2014	169,451	31,212	18.4%	596,232
6/30/2015	170,856	27,390	16.0%	739,698

Funding Progress

As of the last valuation date, July 1, 2014, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$766,000. The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

2) Board of Education Plan

Plan Description - The Town provides certain health care benefits for retired Board of Education employees through a single-employer defined benefit plan administered by the Town of Monroe, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Eligibility	Certified teachers and administrators – Retirement under the State Teachers’ Plan. Non-certified – Age 55 with 15 years of service or age 65 with 5 years of service.
Cost	100% of the cost less the BOE offset which is:
Sharing	Certified – Payable for retirement after July 1, 2011 for the earlier of 10 years or attainment of age 65. The offset is based on hire date and years of service and ranges from: \$1,125 and \$3,000 for single coverage \$2,475 and \$6,600 for two-person coverage Non-certified - \$2,400 if retired under Rule of 75, \$3,000 if retired under Rule of 85 and \$4,200 if retired under Rule of 90.
Duration	Certified – Age 65 for those eligible for Medicare, life for those not eligible for Medicare. Non-certified – Life

Annual OPEB Cost (“AOC”) and Net OPEB Obligation (“NOO”)

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2014	\$ 10,703,353
Assets at Market Value	-
Unfunded Actuarial Accrued Liability (“UAAL”)	<u>\$ 10,703,353</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 29,387,000
UAAL as a Percentage of Covered Payroll	36.42%
Annual Required Contribution	\$ 708,282
Interest on Net OPEB Obligation	110,788
Adjustment to Annual Required Contribution	<u>(144,651)</u>
Annual OPEB Cost	674,419
Contributions made	<u>(769,750)</u>
Increase in net OPEB Obligation (Asset)	(95,331)
Net OPEB Obligation (Asset) - Beginning of the year	<u>2,461,953</u>
Net OPEB Obligation (Asset) - End of the year	<u>\$ 2,366,622</u>

Actuarial Methods and Significant Assumptions - The Town’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees’ medical insurance. As a result, reporting of expenses and liabilities is using a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

4. Pension and Other Post Retirement Plans (Continued)

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.5%
Medical Inflation	8% for 2014, reducing .5% per year to a final 4.5% for 2021 and later
Amortization Method	Level dollar amortization
Amortization	30 years, open
Mortality	Certified – RP-2000 Mortality Table projected forward 19 years using scale AA Non-certified – RP-2014 Mortality Table, projected to valuation date with Scale MP-2014
Participation	Based on percentages depending on cost to employee
Retirement	Certified – Based on percentages from CT State TRS 2014 OPEB Valuation Non-certified – Age 55 with 15 years of service or age 65 with 5 years of service

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2013	\$ 514,395	\$ 466,832	90.8%	\$ 2,313,984
6/30/2014	535,563	387,594	72.4%	2,461,953
6/30/2015	674,419	769,750	114.1%	2,366,622

4. Pension and Other Post Retirement Plans (Continued)

Funding Progress

As of the last valuation date, July 1, 2014, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$10,703,353. The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

5. Other Information

A. Litigation

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

B. Contingencies

Grants - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

School Building Grants - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost of over two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

C. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance except as noted below. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

Town of Monroe, Connecticut

Notes to Financial Statements (Continued)
June 30, 2015

5. Other Information (Continued)

The Town self-insures its employees for dental claims through the use of an internal service fund. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by budget appropriations and employee contributions, as required.

The following is a summary of changes in claims liability during the year:

Year Ended	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2013	\$ 8,764	\$ 101,178	\$ (100,592)	\$ 9,350
2014	9,350	103,777	(103,993)	9,134
2015	9,134	113,552	(112,717)	9,969

The Board of Education self-insures its employees for medical and dental claims through the use of an internal service fund. Maximum liability to the Board of Education per covered participant is \$150,000. The Board of Education retains an insurance policy for employee claims in excess of \$150,000 (\$5,000,000 lifetime maximum payout per member). The Board of Education also retains an insurance policy to cover claims for all covered members combined in excess of a \$1,000,000 annual maximum for medical claims only. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by budget appropriations and employee contributions, as required.

The following is a summary of changes in claims liability during the year:

Year Ended	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2013	\$ 730,488	\$ 6,079,652	\$ (6,199,813)	\$ 610,327
2014	610,327	6,706,594	(6,807,762)	509,159
2015	509,159	6,850,587	(6,856,163)	503,583

The Town self-insures for heart and hypertension claims of Town police officers through the use of an internal service fund. The death benefits liability is adjusted annually to reflect cost of living increases. The present value of benefits was computed at an assumed rate of return of three percent. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by budget appropriations and employee contributions, as required.

The following is a summary of changes in claims liability during the year:

Year Ended	Beginning Claims Payable	Claims and Changes in Estimates	Claim Payments	Ending Claims Payable
2013	\$ 712,711	\$ (60,824)	\$ (142,211)	\$ 509,676
2014	509,676	(60,290)	(8,555)	440,831
2015	440,831	(29,378)	(5,955)	405,498

5. Other Information (Continued)

The internal service funds are substantially funded by the Town's General Fund based on estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liabilities, reported in the internal service funds at June 30, 2015, are based on the amount of the possible loss that can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

D. Risks and Uncertainties

The Town invests in various securities, including commercial paper, government-sponsored enterprises, and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

F. Motor Vehicle Tax Cap

Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management ("OPM") capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2017 will be 32 mills. The rate cap in fiscal year 2018 and thereafter will be 29.36 mills.

G. Municipal Spending Cap

Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5 percent above the previous year or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and MRSA grant distributed to a special taxing district under certain circumstances.

Effective July 1, 2015, the Minimum Budget Requirement ("MBR") for education expenditures imposed by OPM will become more flexible. The new law gives the Town a greater ability to lower their MBR by allowing for larger reductions for declining enrollment, raising the cap on how much a town can reduce its MBR, and removing the limit on how many ways a town can qualify for MBR flexibility.

5. Other Information (Continued)

H. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 72 – *Fair Value Measurement and Application* – This Statement, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement is effective for fiscal years beginning after June 15, 2015.
- GASB Statement 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68* – This Statement establishes requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. This is effective for fiscal years beginning after June 15, 2016.
- GASB Statement 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pensions* – This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Post-Employment Benefits (OPEB), as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This is effective for fiscal years beginning after June 15, 2016.
- GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other than Pensions* – This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) and applies to all governments whose employees are provided with OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.
- GASB Statement 76 – *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* – This statement identifies the current hierarchy of GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.
- GASB Statement 77 – *Tax Abatement Disclosures* – This Statement requires governments to disclose information about their tax abatements and agreements and is effective for periods beginning after December 15, 2015.

Town of Monroe, Connecticut

Required Supplementary Information
June 30, 2015

Town of Monroe, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Property Taxes					
Tax levies	\$ 71,058,789	\$ -	\$ 71,058,789	\$ 71,422,479	\$ 363,690
Interest and lien fees	200,000	-	200,000	382,856	182,856
	<u>71,258,789</u>	<u>-</u>	<u>71,258,789</u>	<u>71,805,335</u>	<u>546,546</u>
Licenses and Permits					
Police department permits	8,000	-	8,000	14,308	6,308
Building permits	185,000	-	185,000	177,374	(7,626)
Burning permits	2,000	-	2,000	1,600	(400)
Planning and zoning	30,000	-	30,000	50,242	20,242
Library	17,500	-	17,500	15,269	(2,231)
Refuse permits	4,000	-	4,000	1,891	(2,109)
Canine licenses	2,000	-	2,000	1,060	(940)
Town clerk's fees	350,000	-	350,000	357,549	7,549
Driveway permits	200	-	200	-	(200)
	<u>598,700</u>	<u>-</u>	<u>598,700</u>	<u>619,293</u>	<u>20,593</u>
Intergovernmental					
State and Federal Education Grants					
Education cost sharing	6,604,247	-	6,604,247	6,613,738	9,491
School transportation	-	-	-	58,811	58,811
Other:					
Revenue sharing grant	168,128	-	168,128	-	(168,128)
Tax grant - disabled persons	2,400	-	2,400	2,307	(93)
PILOT - state property	-	-	-	11,951	11,951
Tax grant - circuit breaker	160,000	-	160,000	179,818	19,818
Bond subsidy payments	440,681	-	440,681	448,290	7,609
Veteran exemption	11,000	-	11,000	10,480	(520)
Mashantucket Pequot grant	-	-	-	35,497	35,497
Telephone access	40,000	-	40,000	45,682	5,682
	<u>7,426,456</u>	<u>-</u>	<u>7,426,456</u>	<u>7,406,574</u>	<u>(19,882)</u>
Charges for Services					
Recreation department fees	185,000	-	185,000	170,459	(14,541)
Landfill lease	41,000	-	41,000	46,294	5,294
Nutrition	2,750	-	2,750	1,755	(995)
Tuition	10,000	-	10,000	7,275	(2,725)
Senior citizens transportation	5,000	-	5,000	5,200	200
Senior citizens registration	3,500	-	3,500	826	(2,674)
Special police assignments	100,000	-	100,000	-	(100,000)
Inland wetland commission	15,000	-	15,000	9,930	(5,070)
	<u>362,250</u>	<u>-</u>	<u>362,250</u>	<u>241,739</u>	<u>(120,511)</u>
Interest and Dividends	<u>140,583</u>	<u>-</u>	<u>140,583</u>	<u>170,992</u>	<u>30,409</u>
Miscellaneous Income	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>191,884</u>	<u>131,884</u>
Total Revenues	<u>79,846,778</u>	<u>-</u>	<u>79,846,778</u>	<u>80,435,817</u>	<u>589,039</u>

(Continued)

Town of Monroe, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES					
General Government					
Selectman	\$ 402,196	\$ 29,101	\$ 431,297	\$ 431,297	\$ -
Town council	5,800	-	5,800	3,328	2,472
Board of finance	111,080	(70,000)	41,080	32,321	8,759
Registrar of voters	110,100	-	110,100	105,256	4,844
Town clerk	188,541	1,815	190,356	164,631	25,725
Tax collector	176,413	965	177,378	170,056	7,322
Town treasurer	10,592	-	10,592	407	10,185
Boards and commissions	10,450	-	10,450	8,308	2,142
Senior citizen	235,563	2,953	238,516	229,273	9,243
Economic development	10,825	-	10,825	9,505	1,320
Engineering	153,983	2,941	156,924	152,867	4,057
Inland wetlands commission	100,553	1,518	102,071	94,811	7,260
Human resources - fringe benefits	4,970,942	(238,021)	4,732,921	4,676,786	56,135
Finance department	285,115	73,472	358,587	358,587	-
Technology	673,067	-	673,067	652,278	20,789
Assessor	230,339	2,695	233,034	204,448	28,586
Building inspection department	158,217	3,019	161,236	157,025	4,211
Planning and zoning department	202,672	3,713	206,385	182,988	23,397
Town hall maintenance	432,062	1,793	433,855	431,875	1,980
Special programs	190,037	10,272	200,309	200,309	-
Regional programs	55,297	-	55,297	53,002	2,295
	<u>8,713,844</u>	<u>(173,764)</u>	<u>8,540,080</u>	<u>8,319,358</u>	<u>220,722</u>
Public Safety					
Police department	4,916,567	147,028	5,063,595	4,909,549	154,046
Animal control	129,273	1,493	130,766	123,728	7,038
Park ranger	57,120	2,851	59,971	59,971	-
Monroe fire department	230,000	-	230,000	229,400	600
Stevenson fire department	185,000	-	185,000	185,000	-
Stepney fire service	250,000	-	250,000	250,000	-
Fire service	558,266	-	558,266	557,785	481
Fire marshal	99,212	1,422	100,634	92,681	7,953
Emergency management	11,900	-	11,900	11,140	760
Emergency medical services	150,000	-	150,000	150,000	-
	<u>6,587,338</u>	<u>152,794</u>	<u>6,740,132</u>	<u>6,569,254</u>	<u>170,878</u>
Public Works					
Highway administration	286,244	5,251	291,495	288,678	2,817
General maintenance	1,270,650	1,707	1,272,357	1,249,254	23,103
Snow removal	399,650	25,238	424,888	560,889	(136,001)
Operations	1,308,350	-	1,308,350	1,283,096	25,254
Tree warden	44,800	-	44,800	39,840	4,960
Traffic control	84,995	2,372	87,367	80,617	6,750
Sanitation - solid waste	15,021	-	15,021	12,567	2,454
Sanitation - recycling	337,852	-	337,852	267,185	70,667
	<u>3,747,562</u>	<u>34,568</u>	<u>3,782,130</u>	<u>3,782,126</u>	<u>4</u>
Health and Welfare					
Health department	170,582	-	170,582	170,582	-
Department of social services	100,732	(11,243)	89,489	88,539	950
	<u>271,314</u>	<u>(11,243)</u>	<u>260,071</u>	<u>259,121</u>	<u>950</u>

(Continued)

Town of Monroe, Connecticut

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis) - General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Culture and Recreation					
Library	\$ 744,128	\$ 7,004	\$ 751,132	\$ 751,057	\$ 75
Recreation department	809,008	(9,359)	799,649	799,649	-
	<u>1,553,136</u>	<u>(2,355)</u>	<u>1,550,781</u>	<u>1,550,706</u>	<u>75</u>
Capital Outlay					
Special projects	5,500	-	5,500	3,645	1,855
Appropriation for equipment replacement	183,456	-	183,456	183,456	-
	<u>188,956</u>	<u>-</u>	<u>188,956</u>	<u>187,101</u>	<u>1,855</u>
Debt Service	<u>5,676,641</u>	<u>-</u>	<u>5,676,641</u>	<u>5,635,013</u>	<u>41,628</u>
Other Financing Uses					
Operating transfers out	175,000	-	175,000	175,000	-
Total General Government	<u>26,913,791</u>	<u>-</u>	<u>26,913,791</u>	<u>26,477,679</u>	<u>436,112</u>
Board of Education Expenditures	<u>52,932,987</u>	<u>-</u>	<u>52,932,987</u>	<u>52,814,456</u>	<u>118,531</u>
Total Expenditures	<u>79,846,778</u>	<u>-</u>	<u>79,846,778</u>	<u>79,292,135</u>	<u>554,643</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	1,143,682	<u>\$ 1,143,682</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				5,337,620	
Expenditures for Teachers' Retirement				(5,337,620)	
Change in the General Government's Accrued Payroll not recorded in the Budget				(107,857)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				191,991	
Previous Year Encumbrance recorded on Modified Accrual Basis				(320,140)	
Unrealized Gain (Loss) on Investments Not Recorded on a Budgetary Basis				(208,506)	
Transfer of surplus to Town Capital Reserve as approved by Board of Finance				(250,000)	
Transfer of BOE Surplus to BOE Capital Reserve as approved by Board of Finance				(118,531)	
Close out of funds to the General Fund				409,400	
Health district operations				(292)	
Payments out of reserve accounts:					
Capital study				(75,000)	
Health Department start up				(50,000)	
Sandy Hook expenses				(7,442)	
Wilton Estate - Senior Center				(6,164)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 601,141</u>	

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Encumbrances are treated as expenditures against the budget in the year committed; 3. Gains and/or Losses on Investments are not included in the budgeted revenues and/or expenditures; 4. Certain payments out of reserve accounts are excluded from the budget; 5. Health district operations are not included in the budget.

Town of Monroe, Connecticut

Required Supplementary Information
 Town of Monroe Employee Retirement Plan - Town
 Schedule of Changes in Net Pension Liability and Related Ratios
 Since Inception of GASB 67/68

	<u>2015</u>	<u>2014</u>
Town of Monroe Employee Retirement Plan		
Total Pension Liability		
Service cost	\$ 268,462	\$ 258,136
Interest on total pension liability	802,505	760,256
Effect of economic/demographic gains (losses)	(140,267)	-
Effect of assumption changes or inputs	587,242	-
Benefit payments	<u>(466,648)</u>	<u>(464,206)</u>
Net change in total pension liability	1,051,294	554,186
Total pension liability, beginning	<u>10,660,703</u>	<u>10,106,517</u>
Total pension liability, ending	<u>11,711,997</u>	<u>10,660,703</u>
Fiduciary Net Position		
Employer contributions	391,857	341,866
Member contributions	137,917	137,271
Investment income net of investment expenses	399,506	1,265,162
Benefit payments	(466,648)	(464,206)
Administrative expenses	<u>(30,021)</u>	<u>(58,327)</u>
Net change in plan fiduciary net position	432,611	1,221,766
Fiduciary net position, beginning	<u>9,769,997</u>	<u>8,548,231</u>
Fiduciary net position, ending	<u>10,202,608</u>	<u>9,769,997</u>
Net pension liability, ending	<u>\$ 1,509,389</u>	<u>\$ 890,706</u>
Fiduciary net position as a % of total pension liability	87.11%	91.64%
Covered payroll	\$ 3,439,025	\$ 3,166,740
Net pension liability as a % of covered payroll	43.89%	28.13%

See Independent Auditors' Report

Town of Monroe, Connecticut

Required Supplementary Information
 Town of Monroe Employee Retirement Plan - Town
 Schedule of Employer Contributions
 Since Inception of GASB 67/68

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 394,666	\$ 388,045
Contributions in relation to the actuarially determined contribution	<u>\$ 391,857</u>	<u>\$ 341,866</u>
Contribution deficiency (excess)	<u>\$ 2,809</u>	<u>\$ 46,179</u>
Covered employee payroll	\$3,439,025	\$3,166,740
Contributions as a percentage of covered employee payroll	11.39%	10.80%

Notes to the Schedule

Valuation Date Actuarially determined contribution rates are calculated as of July 1, twelve months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	20 years
Asset valuation method	Expected Asset value plus or minus 20% of the difference between the Expected Value and the Market Value of Assets.
Inflation	3.00%
Salary increases	4.00%
Investment rate of return	7.50%
Retirement age	65
Mortality	RP-2000 Mortality with no collar adjustment projected to valuation date with Scale MP-2014.

See Independent Auditors' Report

Town of Monroe, Connecticut

Required Supplementary Information
Town of Monroe Employee Retirement Plan - Town
Annual Money-Weighted Rate of Return
Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2015	4.15%
2014	15.10%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA
2006	NA

Town of Monroe, Connecticut

Required Supplementary Information
Town of Monroe Employee Retirement Plan - Board of Education
Schedule of Changes in Net Pension Liability and Related Ratios
Since Inception of GASB 67/68

	<u>2015</u>	<u>2014</u>
Town of Monroe Employee Retirement Plan		
Total Pension Liability		
Service cost	\$ 382,260	\$ 367,558
Interest on total pension liability	903,638	849,759
Effect of economic/demographic gains (losses)	(857,153)	-
Effect of assumption changes or inputs	673,066	-
Benefit payments	<u>(524,668)</u>	<u>(503,012)</u>
Net change in total pension liability	577,143	714,305
Total pension liability, beginning	<u>11,923,824</u>	<u>11,209,519</u>
Total pension liability, ending	<u>12,500,967</u>	<u>11,923,824</u>
Fiduciary Net Position		
Employer contributions	367,541	349,519
Member contributions	210,767	198,033
Investment income net of investment expenses	253,090	1,213,572
Benefit payments	(524,668)	(503,012)
Administrative expenses	(14,664)	-
Other	<u>9,034</u>	<u>-</u>
Net change in plan fiduciary net position	301,100	1,258,112
Fiduciary net position, beginning	<u>10,022,355</u>	<u>8,764,243</u>
Fiduciary net position, ending	<u>10,323,455</u>	<u>10,022,355</u>
Net pension liability, ending	<u>\$ 2,177,512</u>	<u>\$ 1,901,469</u>
Fiduciary net position as a % of total pension liability	82.58%	84.05%
Covered payroll	\$ 4,264,439	\$ 4,439,312
Net pension liability as a % of covered payroll	51.06%	42.83%

See Independent Auditors' Report

Town of Monroe, Connecticut

Required Supplementary Information
 Town of Monroe Employee Retirement Plan - Board of Education
 Schedule of Employer Contributions
 Since Inception of GASB 67/68

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 376,663	\$ 349,519
Contributions in relation to the actuarially determined contribution	<u>\$ 367,541</u>	<u>\$ 349,519</u>
Contribution deficiency (excess)	<u>\$ 9,122</u>	<u>\$ -</u>
Covered employee payroll	\$4,264,439	\$4,439,312
Contributions as a percentage of covered employee payroll	8.62%	7.87%

Notes to the Schedule

Valuation Date Actuarially determined contribution rates are calculated as of July 1, twelve months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	20 years
Asset valuation method	Expected Asset value plus or minus 20% of the difference between the Expected Value and the Market Value of Assets.
Inflation	3.00%
Salary increases	4.00%
Investment rate of return	7.50%
Retirement age	65
Mortality	RP-2000 Mortality with no collar adjustment projected to valuation date with Scale MP-2014.

See Independent Auditors' Report

Town of Monroe, Connecticut

Required Supplementary Information
Town of Monroe Employee Retirement Plan - Board of Education
Annual Money-Weighted Rate of Return
Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2015	2.62%
2014	13.80%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA
2006	NA

Town of Monroe, Connecticut

Required Supplementary Information
Other Post Employment Benefits Plan
June 30, 2015

**Schedule of Funding Progress
Last Three Valuations**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
Town of Monroe Board of Education OPEB Plan						
7/1/2014	\$ -	\$ 10,703,353	\$ 10,703,353	0.00%	\$ 29,387,000	36.42%
7/1/2012	\$ -	\$ 9,652,132	\$ 9,652,132	0.00%	N/A	N/A
7/1/2010	\$ -	\$ 10,403,104	\$ 10,403,104	0.00%	N/A	N/A
Town of Monroe Police OPEB Plan						
7/1/2014	\$ -	\$ 766,000	\$ 766,000	0.00%	\$ 3,129,570	24.48%
7/1/2012	\$ -	\$ 1,702,216	\$ 1,702,216	0.00%	\$ 2,732,999	62.28%
7/1/2010	\$ -	\$ 1,568,829	\$ 1,568,829	0.00%	\$ 2,702,454	58.05%

**Schedule of Employer Contributions
Since Inception**

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
Town of Monroe Board of Education OPEB Plan			
6/30/2015	\$ 708,282	\$ 769,750	108.68%
6/30/2014	\$ 567,391	\$ 387,594	68.31%
6/30/2013	\$ 545,568	\$ 466,832	85.57%
6/30/2012	\$ 545,568	\$ 498,525	91.38%
6/30/2011	\$ 766,819	\$ 550,020	71.73%
Town of Monroe Police OPEB Plan			
6/30/2015	\$ 179,057	\$ 27,390	15.30%
6/30/2014	\$ 175,750	\$ 31,212	17.76%
6/30/2013	\$ 162,881	\$ 46,500	28.55%
6/30/2012	\$ 159,926	\$ 42,515	26.58%
6/30/2011	\$ 112,070	\$ 45,143	40.28%

Notes to Schedule

Status of plan:	The OPEB plans are not in a trust. Subsequent to year end a trust was established.
Changes in benefit term	None
Changes in assumptions	None
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining Amortization Period	30 years
Discount rates	Board of Education - 4.5%; Police - 7.0%

Town of Monroe, Connecticut

Required Supplementary Information
Connecticut Municipal Employees' Retirement System
June 30, 2015

**Schedule of Changes in Net Pension Liability and Related Ratios
Since Inception of GASB 68**

	<u>2015</u>
Town's percentage of collective net pension liability (police and fire with social security)	<u>8.754860%</u>
Town's portion net pension liability	<u>\$ 2,116,810</u>
Town's covered payroll	<u>\$ 3,507,399</u>
Town's portion net pension liability as a % of covered payroll	<u>60.35%</u>
Plan Fiduciary net position as a % of total pension liability	<u>90.48%</u>

**Schedule of Employer Contributions
Since Inception of GASB 68**

Town's contractually required contribution	\$ 608,356
Town's contributions in relation to the contractually required contribution	<u>608,356</u>
Town's contribution deficiency (excess)	<u>\$ -</u>
Town's covered employee payroll	<u>\$ 3,507,399</u>
Town's contributions as a percentage of covered employee payroll	<u>17.34%</u>

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	None
Actuarial cost method	Entry age, normal cost method
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5 year smoothed market
Investment rate of return	8.0% net of investment expense, including inflation

See Independent Auditors' Report

Town of Monroe, Connecticut

Required Supplementary Information
Connecticut Teachers Retirement System
June 30, 2015

**Schedule of Changes in Net Pension Liability and Related Ratios
Since Inception of GASB 68**

	<u>2015</u>
Town's percentage of collective net pension liability	0.00%
Town's proportionate share of the collective net pension liability	\$ -
State's proportionate share of the collective net pension liability associated with the Town	<u>\$71,141,153</u>
Total proportionate share of the collective net pension liability	<u>\$71,141,153</u>
Town's covered employee payroll	<u>\$26,840,361</u>
Town's proportionate share of the collective net pension liability as a % of covered payroll	0.00%
Plan fiduciary net position as a % of total pension liability	61.51%

**Schedule of Employer Contributions
Since Inception of GASB 68**

Contractually required Town contribution	<u>\$ -</u>
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The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System.
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.5% net of investment expense, including inflation

See Independent Auditors' Report

Town of Monroe, Connecticut

Combining Fund Financial Statements
June 30, 2015

Town of Monroe, Connecticut

Combining Balance Sheet
 Other Governmental Funds
 June 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds - Cornelia Rogers	Total Other Governmental Funds
ASSETS				
Cash and equivalents	\$ 784,592	\$ -	\$ -	\$ 784,592
Investments	267,385	-	-	267,385
Other receivables		-		
Accounts	413,961	-	-	413,961
Intergovernmental	72,495	1,005,667	-	1,078,162
Due from other funds	2,126,174	4,173,006	71,478	6,370,658
Prepaid expenditures	1,318	-	-	1,318
Total Assets	<u>\$ 3,665,925</u>	<u>\$ 5,178,673</u>	<u>\$ 71,478</u>	<u>\$ 8,916,076</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 295,974	\$ 253,326	\$ -	\$ 549,300
Accrued payroll and related	3,625	-	-	3,625
Due to other funds	190,872	995,921	-	1,186,793
Unearned revenues	1,312,024	-	-	1,312,024
Total Liabilities	<u>1,802,495</u>	<u>1,249,247</u>	<u>-</u>	<u>3,051,742</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenues	<u>157,301</u>	<u>939,321</u>	<u>-</u>	<u>1,096,622</u>
Fund Balances				
Nonspendable	1,318	-	2,250	3,568
Restricted	493,336	-	69,228	562,564
Committed	-	3,827,955	-	3,827,955
Assigned	1,323,149	304,645	-	1,627,794
Unassigned	(111,674)	(1,142,495)	-	(1,254,169)
Total Fund Balances	<u>1,706,129</u>	<u>2,990,105</u>	<u>71,478</u>	<u>4,767,712</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,665,925</u>	<u>\$ 5,178,673</u>	<u>\$ 71,478</u>	<u>\$ 8,916,076</u>

Town of Monroe, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Other Governmental Funds
 For the Year Ended June 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cornelia Rogers	Total Other Governmental Funds
REVENUES				
Intergovernmental	\$ 2,539,032	\$ 365,226	\$ -	\$ 2,904,258
Charges for services	4,277,912	-	-	4,277,912
Contributions	312,305	-	-	312,305
Investment earnings	2,658	-	4	2,662
Miscellaneous	52,439	-	-	52,439
Total Revenues	<u>7,184,346</u>	<u>365,226</u>	<u>4</u>	<u>7,549,576</u>
EXPENDITURES				
Current				
General government	1,199	-	-	1,199
Public safety	1,469,074	-	-	1,469,074
Public works	550,944	-	-	550,944
Health and welfare	87,479	-	-	87,479
Culture and recreation	1,200,564	-	-	1,200,564
Education	3,937,230	2,945	-	3,940,175
Debt service	-	-	-	-
Bond issuance costs	-	50,202	-	50,202
Capital outlay	-	1,231,808	-	1,231,808
Total Expenditures	<u>7,246,490</u>	<u>1,284,955</u>	<u>-</u>	<u>8,531,445</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(62,144)</u>	<u>(919,729)</u>	<u>4</u>	<u>(981,869)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	159,545	1,044,668	-	1,204,213
Transfers out	(170,556)	(49,205)	-	(219,761)
Proceeds from general obligation bonds	-	3,270,000	-	3,270,000
Premium on financing	-	69,394	-	69,394
Total Other Financing Sources (Uses)	<u>(11,011)</u>	<u>4,334,857</u>	<u>-</u>	<u>4,323,846</u>
Net Change in Fund Balance	(73,155)	3,415,128	4	3,341,977
Fund Balances - Beginning of Year	<u>1,779,284</u>	<u>(425,023)</u>	<u>71,474</u>	<u>1,425,735</u>
Fund Balances - End of Year	<u>\$ 1,706,129</u>	<u>\$ 2,990,105</u>	<u>\$ 71,478</u>	<u>\$ 4,767,712</u>

Town of Monroe, Connecticut

Special Revenue Fund Financial Statements June 30, 2015

- **Library Grants** – Various federal, state and local grants received for the library.
- **Wheeler Library** – Revenue received from the Edith S. Wheeler Trust for the benefit of the library.
- **School Cafeteria** – Operations of the schools' cafeterias funded by federal grants and faculty and student meal purchases.
- **Education Grants** – Various federal, state and local grants received for educational purposes.
- **Education Programs** – Educational programs, athletic team surcharges, facility usage fees and other miscellaneous Board of Education program revenues to be used for the various educational and extracurricular activities for which the fees were collected.
- **WMNR Radio Station** – Private donations received which fund the operations of the WMNR Radio Station.
- **Police Grants** – Various federal, state and local grants received for law enforcement.
- **Police Private Duty** – Private duty police assignment revenue (i.e. traffic control) used to cover the associated private duty labor and vehicle costs. From time to time, the surplus in this fund is transferred to the Town's General Fund.
- **Recreation Programs** – Parks and Recreation program revenue used to cover the associated expenditures required to run various programs by Parks and Recreation. From time to time, the surplus in this fund is either transferred to the Town's General Fund or appropriated for a capital expenditure at one of the Town's parks.
- **Senior Center Grant and Program** – Grant and program revenue used to fund various program expenditures at the Senior Center for the benefit of senior citizens.
- **Emergency Medical Service** – Agent billing revenue from patient transportation used to fund EMS operations.
- **Town Grants and Programs** – Grant, donation and program revenue received by the Town for various specified purposes.
- **Local Capital Improvements** – State grant revenue and corresponding expenditures relating to the Local Capital Improvement Program (LOCIP).
- **Town Road Grants** – Town Aid Road and Municipal Projects grant revenue received from the State, and all related expenditures.
- **Waste Disposal** – Refuse hauler fees and dump truck ticket revenue used to fund the Town's proportionate usage of the Trumbull Transfer Station.

Town of Monroe, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2015

	Library Grants	Wheeler Library	School Cafeteria	Education Grants	Education Programs	WMNR Radio Station	Police Grants	Police Private Duty
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ 97,825	\$ -	\$ 2,254	\$ 498,202	\$ -	\$ -
Investments	-	267,385	-	-	-	-	-	-
Other receivables								
Accounts	-	-	13,823	-	11,853	3,919	-	167,197
Intergovernmental	-	-	45,470	971	-	-	26,054	-
Due from other funds	18,697	568	-	43,501	297,570	-	-	18,761
Prepaid expenditures	-	-	-	-	-	1,318	-	-
Total Assets	<u>\$ 18,697</u>	<u>\$ 267,953</u>	<u>\$ 157,118</u>	<u>\$ 44,472</u>	<u>\$ 311,677</u>	<u>\$ 503,439</u>	<u>\$ 26,054</u>	<u>\$ 185,958</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 151	\$ 92,605	\$ 30,486	\$ 1,000	\$ 11,687	\$ 5,112	\$ -
Accrued payroll and related	-	-	-	3,625	-	-	-	-
Due to other funds	-	34,827	-	-	-	1,909	2,023	-
Unearned revenues	18,697	-	-	8,829	3,585	-	20,031	-
Total Liabilities	<u>18,697</u>	<u>34,978</u>	<u>92,605</u>	<u>42,940</u>	<u>4,585</u>	<u>13,596</u>	<u>27,166</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred revenues	-	-	-	-	-	-	-	72,303
Fund Balances								
Nonspendable	-	-	-	-	-	1,318	-	-
Restricted	-	232,975	-	1,532	-	-	-	-
Assigned	-	-	64,513	-	307,092	488,525	-	113,655
Unassigned	-	-	-	-	-	-	(1,112)	-
Total Fund Balances	<u>-</u>	<u>232,975</u>	<u>64,513</u>	<u>1,532</u>	<u>307,092</u>	<u>489,843</u>	<u>(1,112)</u>	<u>113,655</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,697</u>	<u>\$ 267,953</u>	<u>\$ 157,118</u>	<u>\$ 44,472</u>	<u>\$ 311,677</u>	<u>\$ 503,439</u>	<u>\$ 26,054</u>	<u>\$ 185,958</u>

(continued)

Town of Monroe, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2015

	Recreation Programs	Senior Center Grant & Program	Emergency Medical Service	Town Grants and Programs	Local Capital Improvements	Town Road Grants	Waste Disposal	Total Special Revenue Funds
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ -	\$ 186,311	\$ -	\$ -	\$ -	\$ 784,592
Investments	-	-	-	-	-	-	-	267,385
Other receivables	-	-	-	-	-	-	-	-
Accounts	-	-	139,518	200	-	-	77,451	413,961
Intergovernmental	-	-	-	-	-	-	-	72,495
Due from other funds	331,406	78,104	-	264,843	26,846	1,019,172	26,706	2,126,174
Prepaid expenditures	-	-	-	-	-	-	-	1,318
Total Assets	<u>\$ 331,406</u>	<u>\$ 78,104</u>	<u>\$ 139,518</u>	<u>\$ 451,354</u>	<u>\$ 26,846</u>	<u>\$ 1,019,172</u>	<u>\$ 104,157</u>	<u>\$ 3,665,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 11,338	\$ 110	\$ 46,734	\$ 7,711	\$ -	\$ -	\$ 89,040	\$ 295,974
Accrued payroll and related	-	-	-	-	-	-	-	3,625
Due to other funds	-	-	133,465	18,648	-	-	-	190,872
Unearned revenues	168,825	72,685	-	200	-	1,019,172	-	1,312,024
Total Liabilities	<u>180,163</u>	<u>72,795</u>	<u>180,199</u>	<u>26,559</u>	<u>-</u>	<u>1,019,172</u>	<u>89,040</u>	<u>1,802,495</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred revenues	-	-	63,223	-	-	-	21,775	157,301
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	1,318
Restricted	-	-	-	231,983	26,846	-	-	493,336
Assigned	151,243	5,309	-	192,812	-	-	-	1,323,149
Unassigned	-	-	(103,904)	-	-	-	(6,658)	(111,674)
Total Fund Balances	<u>151,243</u>	<u>5,309</u>	<u>(103,904)</u>	<u>424,795</u>	<u>26,846</u>	<u>-</u>	<u>(6,658)</u>	<u>1,706,129</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 331,406</u>	<u>\$ 78,104</u>	<u>\$ 139,518</u>	<u>\$ 451,354</u>	<u>\$ 26,846</u>	<u>\$ 1,019,172</u>	<u>\$ 104,157</u>	<u>\$ 3,665,925</u>

Town of Monroe, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 For the Year Ended June 30, 2015

	Library Grants	Wheeler Library	School Cafeteria	Education Grants	Education Programs	WMNR Radio Station	Police Grants	Police Private Duty
REVENUES								
Intergovernmental	\$ 14,491	\$ -	\$ 239,552	\$ 1,957,061	\$ -	\$ -	\$ 91,037	\$ -
Charges for services	-	-	958,607	-	723,451	532,301	37,500	505,598
Contributions	-	25,000	-	-	-	149,085	-	-
Investment earnings	-	1,412	122	-	-	1,124	-	-
Miscellaneous	-	-	-	-	-	1,850	-	-
Total Revenues	<u>14,491</u>	<u>26,412</u>	<u>1,198,281</u>	<u>1,957,061</u>	<u>723,451</u>	<u>684,360</u>	<u>128,537</u>	<u>505,598</u>
EXPENDITURES								
Current expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	146,036	476,842
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Culture and recreation	8,431	30,555	-	-	-	670,072	-	-
Education	-	-	1,253,289	1,957,066	726,875	-	-	-
Total Expenditures	<u>8,431</u>	<u>30,555</u>	<u>1,253,289</u>	<u>1,957,066</u>	<u>726,875</u>	<u>670,072</u>	<u>146,036</u>	<u>476,842</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,060</u>	<u>(4,143)</u>	<u>(55,008)</u>	<u>(5)</u>	<u>(3,424)</u>	<u>14,288</u>	<u>(17,499)</u>	<u>28,756</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	9,545	-
Transfers out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	9,545	-
Net Change in Fund Balance	6,060	(4,143)	(55,008)	(5)	(3,424)	14,288	(7,954)	28,756
Fund Balances - Beginning of Year	<u>(6,060)</u>	<u>237,118</u>	<u>119,521</u>	<u>1,537</u>	<u>310,516</u>	<u>475,555</u>	<u>6,842</u>	<u>84,899</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 232,975</u>	<u>\$ 64,513</u>	<u>\$ 1,532</u>	<u>\$ 307,092</u>	<u>\$ 489,843</u>	<u>\$ (1,112)</u>	<u>\$ 113,655</u>

(continued)

Town of Monroe, Connecticut

Combining Statement of Revenues, Expenditures
 Special Revenue Funds
 For the Year Ended June 30, 2015

	Recreation Programs	Senior Center Grant & Program	Emergency Medical Service	Town Grants and Programs	Local Capital Improvements	Town Road Grants	Waste Disposal	Total Special Revenue Funds
REVENUES								
Intergovernmental	\$ -	\$ 28,921	\$ -	\$ 22,062	\$ 170,556	\$ 15,352	\$ -	\$ 2,539,032
Charges for services	306,622	31,509	477,800	160,241	6,498	-	537,785	4,277,912
Contributions	-	-	-	138,220	-	-	-	312,305
Investment earnings	-	-	-	-	-	-	-	2,658
Miscellaneous	-	8,100	-	42,489	-	-	-	52,439
Total Revenues	<u>306,622</u>	<u>68,530</u>	<u>477,800</u>	<u>363,012</u>	<u>177,054</u>	<u>15,352</u>	<u>537,785</u>	<u>7,184,346</u>
EXPENDITURES								
Current expenditures								
General government	-	-	-	1,199	-	-	-	1,199
Public safety	-	-	796,410	49,786	-	-	-	1,469,074
Public works	-	-	-	23,291	-	15,352	512,301	550,944
Health and welfare	-	-	-	87,479	-	-	-	87,479
Culture and recreation	270,256	66,299	-	154,951	-	-	-	1,200,564
Education	-	-	-	-	-	-	-	3,937,230
Total Expenditures	<u>270,256</u>	<u>66,299</u>	<u>796,410</u>	<u>316,706</u>	<u>-</u>	<u>15,352</u>	<u>512,301</u>	<u>7,246,490</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,366</u>	<u>2,231</u>	<u>(318,610)</u>	<u>46,306</u>	<u>177,054</u>	<u>-</u>	<u>25,484</u>	<u>(62,144)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	150,000	-	-	-	-	159,545
Transfers out	-	-	-	-	(170,556)	-	-	(170,556)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>(170,556)</u>	<u>-</u>	<u>-</u>	<u>(11,011)</u>
Net Change in Fund Balance	36,366	2,231	(168,610)	46,306	6,498	-	25,484	(73,155)
Fund Balances - Beginning of Year	<u>114,877</u>	<u>3,078</u>	<u>64,706</u>	<u>378,489</u>	<u>20,348</u>	<u>-</u>	<u>(32,142)</u>	<u>1,779,284</u>
Fund Balances - End of Year	<u>\$ 151,243</u>	<u>\$ 5,309</u>	<u>\$ (103,904)</u>	<u>\$ 424,795</u>	<u>\$ 26,846</u>	<u>\$ -</u>	<u>\$ (6,658)</u>	<u>\$ 1,706,129</u>

Town of Monroe, Connecticut

Capital Projects Fund Financial Statements June 30, 2015

- **Plan of Conservation and Development** – This is funded on an annual basis with an appropriation from the General Fund and is used to account for expenditures related to the updating and implementation of the Plan of Conservation and Development (PCOD).
- **Capital Reserve** – To account for non-major capital projects and acquisitions which, by their nature, occur over the course of multiple years. These projects are either funded through transfers appropriated from the General Fund or proceeds received from the issuance of General Obligation Bonds. See supplementary schedule 2 for a detailed analysis of these projects.
- **Road Construction and Reconstruction** – To account for all road construction and reconstruction projects (paving, drainage, etc.) which are funded with the issuance of General Obligation Bonds.
- **Reconstruction of Pepper Street** – To account for the grant revenue and related expenditures for the reconstruction of Pepper Street. This project is being funded utilizing federal funds under the STP Urban Component of the Surface Transportation Program. Eighty percent (80%) will be funded with federal funds, ten percent (10%) with state funds and the remaining ten percent (10%) with Town funds.
- **Police Department Renovation** – To account for the revenue and expenditures related to the renovation of the police station. This project was funded with the issuance of General Obligation Bonds and a \$500,000 state grant.
- **Education Capital Reserve** – Established pursuant to Section 10-248a of the Connecticut General Statutes, it has historically been funded with the transfer of any Board of Education budget surplus which remains at the end of a fiscal year.
- **Capital Financing** – This fund is used to internally finance certain capital vehicle and equipment purchases. An appropriation is budgeted in the general fund on an annual basis and is transferred into this fund. The vehicle and equipment purchases made through this fund are amortized over a period not to exceed 5 years. The amortization expense within the fund for any given year must not be greater than the budget appropriation to be transferred into the fund for that fiscal year. This fund is expected to carry a deficit fund balance.

Town of Monroe, Connecticut

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2015

	Plan of Conserv- ation and Develop- ment	Capital Reserve	Road Construction and Re- construction	Re- construction of Pepper Street	Police Department Renovation	Education Capital Reserve	Capital Financing	Total Capital Projects Funds
ASSETS								
Intergovernmental	\$ -	\$ 166,678	\$ -	\$ 49,765	\$ 500,000	\$ 289,224	\$ -	\$ 1,005,667
Due from other funds	20,331	1,241,638	2,636,841	-	-	274,196	-	4,173,006
Total Assets	<u>\$ 20,331</u>	<u>\$ 1,408,316</u>	<u>\$ 2,636,841</u>	<u>\$ 49,765</u>	<u>\$ 500,000</u>	<u>\$ 563,420</u>	<u>\$ -</u>	<u>\$ 5,178,673</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 1,926	\$ 52,488	\$ 8,667	\$ 96,479	\$ -	\$ 93,766	\$ 253,326
Due to other funds	-	470,237	-	86,258	385,979	-	53,447	995,921
Total Liabilities	<u>-</u>	<u>472,163</u>	<u>52,488</u>	<u>94,925</u>	<u>482,458</u>	<u>-</u>	<u>147,213</u>	<u>1,249,247</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred revenues	<u>-</u>	<u>100,332</u>	<u>-</u>	<u>49,765</u>	<u>500,000</u>	<u>289,224</u>	<u>-</u>	<u>939,321</u>
Fund Balances								
Committed	-	969,406	2,584,353	-	-	274,196	-	3,827,955
Assigned	20,331	284,314	-	-	-	-	-	304,645
Unassigned	-	(417,899)	-	(94,925)	(482,458)	-	(147,213)	(1,142,495)
Total Fund Balances	<u>20,331</u>	<u>835,821</u>	<u>2,584,353</u>	<u>(94,925)</u>	<u>(482,458)</u>	<u>274,196</u>	<u>(147,213)</u>	<u>2,990,105</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,331</u>	<u>\$ 1,408,316</u>	<u>\$ 2,636,841</u>	<u>\$ 49,765</u>	<u>\$ 500,000</u>	<u>\$ 563,420</u>	<u>\$ -</u>	<u>\$ 5,178,673</u>

Town of Monroe, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Funds
 For the Year Ended June 30, 2015

	Plan of Conserv- ation and Develop- ment	Capital Reserve	Road Construction and Re- construction	Re- construction of Pepper Street	Police Department Renovation	Education Capital Reserve	Capital Financing	Total Capital Projects Funds
REVENUES								
Intergovernmental	\$ -	\$ 28,811	\$ -	\$ 336,415	\$ -	\$ -	\$ -	\$ 365,226
EXPENDITURES								
Current expenditures								
Education	-	-	-	-	-	2,945	-	2,945
Bond issuance costs	-	13,357	36,845	-	-	-	-	50,202
Capital outlay	-	438,442	82,822	331,635	80,264	-	298,645	1,231,808
Total Expenditures	-	451,799	119,667	331,635	80,264	2,945	298,645	1,284,955
Excess (Deficiency) of Revenues Over Expenditures	-	(422,988)	(119,667)	4,780	(80,264)	(2,945)	(298,645)	(919,729)
OTHER FINANCING SOURCES (USES)								
Transfers in	40,000	603,136	-	-	-	218,076	183,456	1,044,668
Transfers out	-	(31,625)	-	(17,580)	-	-	-	(49,205)
Proceeds from general obligation bonds	-	870,000	2,400,000	-	-	-	-	3,270,000
Premium on financing	-	18,463	50,931	-	-	-	-	69,394
Total Other Financing Sources (Uses)	40,000	1,459,974	2,450,931	(17,580)	-	218,076	183,456	4,334,857
Net Change in Fund Balance	40,000	1,036,986	2,331,264	(12,800)	(80,264)	215,131	(115,189)	3,415,128
Fund Balances - Beginning of Year	(19,669)	(201,165)	253,089	(82,125)	(402,194)	59,065	(32,024)	(425,023)
Fund Balances - End of Year	\$ 20,331	\$ 835,821	\$ 2,584,353	\$ (94,925)	\$ (482,458)	\$ 274,196	\$ (147,213)	\$ 2,990,105

See Independent Auditors' Report

Town of Monroe, Connecticut

Internal Service Fund Financial Statements June 30, 2015

- **Town Dental** – is used to account for the Town's Dental plan.
- **Board of Education Medical and Dental** – is used to account for Board of Education's Medical and Dental Plans.
- **Heart and Hypertension** – is used to account for Heart and Hypertension claims of police officers.
- **Post-Retirement Benefits** – is used to account for Other Post-Employment Benefits provided to police after retirement. Subsequent to year-end the Town established a Trust Fund for these benefits.

Town of Monroe, Connecticut

Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Governmental Activities-Internal Service Funds				Totals
	Town Dental	Board of Education Medical and Dental	Heart and Hypertension	Post- Retirement Benefits	
ASSETS					
Current Assets					
Cash and equivalents	\$ -	\$ 1,892,497	\$ -	\$ -	\$ 1,892,497
Receivables					
Due from other funds	<u>32,531</u>	<u>-</u>	<u>285,318</u>	<u>226,273</u>	<u>544,122</u>
Total Assets	<u>32,531</u>	<u>1,892,497</u>	<u>285,318</u>	<u>226,273</u>	<u>2,436,619</u>
LIABILITIES					
Current Liabilities					
Accounts payable	-	-	478	-	478
Risk management claims	<u>9,969</u>	<u>503,583</u>	<u>40,451</u>	<u>-</u>	<u>554,003</u>
Total Current Liabilities	<u>9,969</u>	<u>503,583</u>	<u>40,929</u>	<u>-</u>	<u>554,481</u>
Noncurrent Liabilities					
Risk management claims, less current portion	<u>-</u>	<u>-</u>	<u>365,047</u>	<u>-</u>	<u>365,047</u>
Total Liabilities	<u>9,969</u>	<u>503,583</u>	<u>405,976</u>	<u>-</u>	<u>919,528</u>
NET POSITION					
Unrestricted	<u>\$ 22,562</u>	<u>\$ 1,388,914</u>	<u>\$ (120,658)</u>	<u>\$ 226,273</u>	<u>\$ 1,517,091</u>

See Independent Auditors' Report

Town of Monroe, Connecticut

Combining Statement of Revenues, Expenses and Changes in Net Position
 Internal Service Funds
 For the Year Ended June 30, 2015

	Governmental Activities-Internal Service Funds				Totals
	Town Dental	Board of Education Medical and Dental	Heart and Hypertension	Post- Retirement Benefits	
OPERATING REVENUES					
Employer contributions	\$ -	\$ 5,611,100	\$ 57,400	\$ -	\$ 5,668,500
Charges for services	118,244	1,875,649	-	19,807	2,013,700
Total Operating Revenues	<u>118,244</u>	<u>7,486,749</u>	<u>57,400</u>	<u>19,807</u>	<u>7,682,200</u>
OPERATING EXPENSES					
Claim and benefits	112,717	6,703,248	19,705	-	6,835,670
Premiums and administrative charges	6,362	1,048,104	-	14,111	1,068,577
Total Operating Expenses	<u>119,079</u>	<u>7,751,352</u>	<u>19,705</u>	<u>14,111</u>	<u>7,904,247</u>
Income (Loss) from Operations	<u>(835)</u>	<u>(264,603)</u>	<u>37,695</u>	<u>5,696</u>	<u>(222,047)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	-	958	-	-	958
Income (Loss) Before Transfers	<u>(835)</u>	<u>(263,645)</u>	<u>37,695</u>	<u>5,696</u>	<u>(221,089)</u>
Transfers in	-	-	20,000	-	20,000
Change in Net Position	<u>(835)</u>	<u>(263,645)</u>	<u>57,695</u>	<u>5,696</u>	<u>(201,089)</u>
Net Position - Beginning of Year	<u>23,397</u>	<u>1,652,559</u>	<u>(178,353)</u>	<u>220,577</u>	<u>1,718,180</u>
Net Position - End of Year	<u>\$ 22,562</u>	<u>\$ 1,388,914</u>	<u>\$ (120,658)</u>	<u>\$ 226,273</u>	<u>\$ 1,517,091</u>

See Independent Auditors' Report

Town of Monroe, Connecticut

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2015

	Governmental Activities-Internal Service Funds				
	Town Dental	Board of Education Medical and Dental	Heart and Hypertension	Post- Retirement Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from employer contributions	\$ -	\$ 5,611,100	\$ 57,400	\$ -	\$ 5,668,500
Cash received from charges for services	118,244	1,875,649	-	19,807	2,013,700
Cash payments for benefits and claims	(111,882)	(6,708,824)	(77,400)	-	(6,898,106)
Cash payments to vendors and others	(6,362)	(1,048,104)	-	(19,807)	(1,074,273)
Net Cash from Operating Activities	-	(270,179)	(20,000)	-	(290,179)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	20,000	-	20,000
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	-	958	-	-	958
Net Increase (Decrease) in Cash and Equivalents	-	(269,221)	-	-	(269,221)
Cash and Equivalents - Beginning of Year	-	2,161,718	-	-	2,161,718
Cash and Equivalents - End of Year	\$ -	\$ 1,892,497	\$ -	\$ -	\$ 1,892,497
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES					
Income (loss) from operations	\$ (835)	\$ (264,603)	\$ 37,695	\$ 5,696	\$ (222,047)
Changes in operating assets and liabilities					
Due from other funds	-	-	(20,000)	(5,696)	(25,696)
Accounts payable	-	-	(2,362)	-	(2,362)
Risk management claims payable	835	(5,576)	(35,333)	-	(40,074)
Net Cash from Operating Activities	\$ -	\$ (270,179)	\$ (20,000)	\$ -	\$ (290,179)

Town of Monroe, Connecticut

Fiduciary Fund Financial Statements June 30, 2015

- **Pension Trust Funds** – are provided to account for the activities of the Town of Monroe Retirement Income Plan. This plan is a defined benefit pension plan, which accumulates resources in two separate asset pools for pension benefit payments to qualified employees upon retirement. One asset pool is for the benefit of qualified Board of Education employees and the other is for qualified Town of Monroe employees.
- **Private Purpose Trust Fund** – was established to fund scholarships for students in the schools.
- **Agency Funds** – Primarily utilized to account for monies held as custodian for outside student groups and performance bonds.

Combining Statement of Net Position
 Pension Trust Funds
 June 30, 2015

	Town Employees' Retirement Plan	Board of Education Pension Plan	Total
ASSETS			
Investments, at fair value	\$ 10,193,872	\$ 10,323,462	\$ 20,517,334
Accrued interest and dividends	<u>-</u>	<u>4</u>	<u>4</u>
Total Assets	<u>\$ 10,193,872</u>	<u>\$ 10,323,466</u>	<u>\$ 20,517,338</u>
NET POSITION			
Restricted for pensions	<u>\$ 10,193,872</u>	<u>\$ 10,323,466</u>	<u>\$ 20,517,338</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2015

	Town Employees' Retirement Plan	Board of Education Pension Plan	Total
ADDITIONS			
Contributions			
Employer	\$ 391,680	\$ 367,541	\$ 759,221
Plan members	<u>138,094</u>	<u>206,974</u>	<u>345,068</u>
Total Contributions	<u>529,774</u>	<u>574,515</u>	<u>1,104,289</u>
Investment Income			
Net change in fair value of investments	154,998	316,828	471,826
Interest and dividends	<u>240,038</u>	<u>24,904</u>	<u>264,942</u>
Total Investment Income	<u>395,036</u>	<u>341,732</u>	<u>736,768</u>
Total Additions	924,810	916,247	1,841,057
DEDUCTIONS			
Benefit payments	466,647	524,525	991,172
Administrative expenses	<u>34,288</u>	<u>90,623</u>	<u>124,911</u>
Total Deductions	<u>500,935</u>	<u>615,148</u>	<u>1,116,083</u>
Change in Net Position	<u>423,875</u>	<u>301,099</u>	<u>724,974</u>
Net Position - Beginning of Year	<u>9,769,997</u>	<u>10,022,367</u>	<u>19,792,364</u>
Net Position - End of Year	<u>\$10,193,872</u>	<u>\$10,323,466</u>	<u>\$20,517,338</u>

See Independent Auditors' Report

Town of Monroe, Connecticut

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2015

	Balance Beginning	Additions		Balance Ending
Performance Bonds				
Assets				
Due from other funds	<u>\$1,120,851</u>	<u>\$ 219,500</u>	<u>\$(100,815)</u>	<u>\$1,239,536</u>
Liabilities				
Due to others	<u>\$1,120,851</u>	<u>\$ 219,500</u>	<u>\$(100,815)</u>	<u>\$1,239,536</u>
Student Activity				
Assets				
Cash	<u>\$ 210,900</u>	<u>\$ 846,007</u>	<u>\$(847,288)</u>	<u>\$ 209,619</u>
Liabilities				
Due to students	<u>\$ 210,900</u>	<u>\$ 846,007</u>	<u>\$(847,288)</u>	<u>\$ 209,619</u>
Combined Total				
Assets				
Cash	\$ 210,900	\$ 846,007	\$(847,288)	\$ 209,619
Due from other funds	<u>1,120,851</u>	<u>219,500</u>	<u>(100,815)</u>	<u>1,239,536</u>
Total assets	<u>\$1,331,751</u>	<u>\$1,065,507</u>	<u>\$(948,103)</u>	<u>\$1,449,155</u>
Liabilities				
Due to others	<u>\$1,331,751</u>	<u>\$1,065,507</u>	<u>\$(948,103)</u>	<u>\$1,449,155</u>

Town of Monroe, Connecticut

Supplementary Schedules
June 30, 2015

Town of Monroe, Connecticut

Statement of Changes in Fund Balance - By Project
Capital Reserve
For the Year Ended June 30, 2015

	Beginning Fund Balance	Transfers In	New Debt	Other Revenues	Current Year Expenditures	Transfers Out	Internal Transfers	Ending Fund Balance
Committed Fund Balance								
UST removal	\$ 107,000	\$ -	\$633,157	\$ -	\$ (118,475)	\$ -	\$ -	\$ 621,682
New athletic field - Wolf Park	-	-	255,306	-	(3,838)	-	-	251,468
Health department set up	-	50,000	-	-	-	-	-	50,000
Revaluation	97,858	70,000	-	-	(121,602)	-	-	46,256
EMS vehicle	120,173	45,000	-	-	(179,073)	-	-	(13,900)
Fire Cistern STEAP grant	(100,332)	-	-	-	-	-	-	(100,332)
Chalk Hill Asbestos Removal	(303,667)	-	-	-	-	-	-	(303,667)
Land Use Grants	-	-	-	28,811	(28,811)	-	-	-
Dugas Farm/Great Oak Farm	30,000	-	-	-	-	-	(30,000)	-
Town maintenance	22,080	-	-	-	-	(22,080)	-	-
Open space	16,000	-	-	-	-	-	(16,000)	-
Police department JAG grant	9,545	-	-	-	-	(9,545)	-	-
Tree planting	5,078	-	-	-	-	-	(5,078)	-
Public works equipment/vehicles	(16,764)	-	-	-	-	-	16,764	-
Pepper Street	(17,580)	17,580	-	-	-	-	-	-
New roof for MVFD Station #2	(170,556)	170,556	-	-	-	-	-	-
	(201,165)	353,136	888,463	28,811	(451,799)	(31,625)	(34,314)	551,507
Assigned Fund Balance	-	250,000	-	-	-	-	34,314	284,314
	<u>\$(201,165)</u>	<u>\$603,136</u>	<u>\$888,463</u>	<u>\$ 28,811</u>	<u>\$ (451,799)</u>	<u>\$ (31,625)</u>	<u>\$ -</u>	<u>\$ 835,821</u>

Town of Monroe, Connecticut

Summary of Pension and OPEB Balances
For the Year Ended June 30, 2015

	Town Pension	Education Pension	MERS Police Pension	Police OPEB	Education OPEB	Total
Deferred Outflow of Resources						
Difference between projected and actual earnings on pension plan	\$ 267,570	\$ 399,752	\$ -	NA	NA	\$ 667,322
Changes in assumptions	478,493	564,507	-	NA	NA	1,043,000
Contributions after measurement date	-	-	608,354	NA	NA	608,354
	<u>\$ 746,063</u>	<u>\$ 964,259</u>	<u>\$ 608,354</u>	<u>NA</u>	<u>NA</u>	<u>\$2,318,676</u>
Deferred Inflow of Resources						
Differences between expected and actual experience	\$ 114,292	\$ 718,903	\$ -	NA	NA	\$ 833,195
Difference between projected and actual earnings on pension plan	-	-	605,474	NA	NA	605,474
	<u>\$ 114,292</u>	<u>\$ 718,903</u>	<u>\$ 605,474</u>	<u>NA</u>	<u>NA</u>	<u>\$1,438,669</u>
Net Pension Liability	\$1,509,389	\$2,177,512	\$2,116,810	\$ -	\$ -	\$5,803,711
Net OPEB Liability	-	-	-	739,698	2,366,622	3,106,320
	<u>\$1,509,389</u>	<u>\$2,177,512</u>	<u>\$2,116,810</u>	<u>\$739,698</u>	<u>\$2,366,622</u>	<u>\$8,910,031</u>
Pension Expense	\$ 378,769	\$ 398,228	\$ 445,342	-	-	\$1,222,339
OPEB Expense	-	-	-	\$170,856	\$ 674,419	845,275
	<u>\$ 378,769</u>	<u>\$ 398,228</u>	<u>\$ 445,342</u>	<u>\$170,856</u>	<u>\$ 674,419</u>	<u>\$2,067,614</u>

See Independent Auditors' Report

Town of Monroe, Connecticut

Internal Control and Compliance Reports
June 30, 2015



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditors' Report

**The Board of Finance
Town of Monroe, Connecticut**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Monroe, Connecticut ("Town") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town in a separate letter.

Purpose of This Report

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

PKF O'Connor Davies, LLP

January 25, 2016

Town of Monroe, Connecticut

State Single Audit
June 30, 2015

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

Independent Auditors' Report

**The Board of Finance
Town of Monroe, Connecticut**

Report on Compliance for Each Major State Program

We have audited the Town of Monroe, Connecticut's ("Town") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2015. The Town's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated January 25, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PKF O'Connor Davies, LLP

January 25, 2016

Town of Monroe, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2015

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 8,116
Connecticard Payments	11000-CSL66051-17010	315
Historic Documents Preservation Grants	12060-CSL66094-35150	1,199
Department of Transportation		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	15,351
Transit Grants - Bus Operations	12001-DOT57931-12175	21,912
Department of Economic and Community Development		
Small Town Economic Assistance Program (ECD)	12052-ECD46350-42411	80,264
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	16,361
Office of Policy and Management		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	11,952
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	2,307
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	179,818
Property Tax Relief for Veterans	11000-OPM20600-17024	10,480
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	170,556
Department of Education		
Assessment Reduction Grant	12060-SDE64165-90611	10,000
Child Nutrition State Match	11000-SDE64370-16211	11,645
Health Foods Initiative	11000-SDE64370-16212	23,895
Adult Education	11000-SDE64370-17030	13,634
Health and Welfare - Private School Pupil	11000-SDE64370-17034	5,514
Magnet Schools	11000-SDE64370-17057	11,700
Total State Financial Assistance before Exempt Programs		<u>595,019</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	\$ 6,677,020
Public School Transportation	11000-SDE64370-17027	53,016
Nonpublic School Transportation	11000-SDE64370-17049	5,795
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	954,971
Department of Administrative Services		
School Construction Grants - Interest	13009-DAS27636-40896	52,997
School Construction Grants - Principal	13010-DAS27636-40901	395,294
Office of Policy and Management		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	35,497
Total exempt programs		<u>8,174,590</u>
Total State Financial Assistance		<u>\$ 8,769,609</u>

The accompanying notes are an integral part of this schedule

Town of Monroe, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Monroe, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of Monroe, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported
- Noncompliance material to financial statements noted ___ yes X no

State Financial Assistance

Internal control over major programs

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Type of report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? ___ yes X no

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

State Grantor and Program	State Core-CT Number	Expenditures
Office of Policy and Management		
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	\$179,818
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	\$170,556

Dollar threshold used to distinguish between type A and type B programs: \$100,000

Section II - Financial Statement Findings

No matters were reported.

Section III - State Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

Town of Monroe, Connecticut

Federal Single Audit
June 30, 2015

**Report on Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditors' Report

**To the Board of Finance
Town of Monroe, Connecticut**

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2015, and have issued our report thereon dated January 25, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

January 25, 2016

Town of Monroe, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Agriculture			
Direct Programs:			
National School Lunch - Commodities	10.565	Not Applicable	\$ 57,972
Pass-Through programs from:			
Connecticut State Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch	10.555	12060-SDE64370-20560	123,858
School Breakfast Program	10.553	12060-SDE64370-20508	8,326
<i>Total Child Nutrition Cluster</i>			<u>132,184</u>
Total U.S. Department of Agriculture			<u>190,156</u>
U.S. Department of Justice			
Pass-Through programs from:			
Connecticut Office of Policy and Management:			
<i>JAG Program Cluster</i>			
Edward Byrne Memorial Justice Assistance Grants Program	16.738	12060-OPM20350-21921	11,444
Juvenile Justice and Delinquency Prevention	16.540	12060-OPM20350-21676	4,249
Connecticut Department of Emergency Services and Public Protection			
Internet Crimes Against Children Task Force Program	16.800	12060-DPS32353-21917	<u>37,284</u>
Total U.S. Department of Justice			<u>52,977</u>
U.S. Department of Transportation:			
Pass-Through programs from:			
Connecticut Department of Transportation			
Alcohol Open Container Requirements	20.607	12062-DOT57343-22091	8,388
Alcohol Open Container Requirements	20.607	12062-DOT57513-22091	26,054
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	12062-DOT57124-22108	38
Highway Planning and Construction	20.205	12062-DOT57191-22108	173,415
Highway Planning and Construction	20.205	12062-DOT57513-22108	13,763
<i>Total Highway Planning and Construction Cluster</i>			<u>187,216</u>
<i>Highway Safety Cluster</i>			
Distracted Driving Enforcement	20.614	12062-DOT57313-22394	52,527
National Priority Safety Programs	20.616	12062-DOT57313-22600	8,063
<i>Total Highway Safety Cluster</i>			<u>60,590</u>
Total U.S. Department of Transportation			<u>282,248</u>
U.S. Environmental Protection Agency:			
Pass-Through programs from:			
Connecticut Department of Energy and Environmental Protection			
Nonpoint Source Implementation Grants	66.460	12060-DEP43720-20871	<u>28,811</u>
			(continued)

The accompanying notes are an integral part of this schedule

Town of Monroe, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Homeland Security:			
Pass-Through programs from:			
Connecticut Department of Energy and Environmental Protection			
State Homeland Security Grant Program	97.067	12030-DPS32160-21877	\$ <u>922</u>
U.S. Department of Education:			
Direct Programs:			
Title I - School of Distinction	84.010	Not Applicable	14,860
Title III - English Language Acquisition - Current	84.365	Not Applicable	2,389
Pass-Through programs from:			
Connecticut State Department of Education			
<i>Special Education Cluster (IDEA)</i>			
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	444,030
IDEA, Part B, Section 611, Handicapped - Carryover	84.027	12060-SDE64370-20977	169,568
IDEA, Part B, Section 619, Preschool - Current	84.173	12060-SDE64370-20983	<u>23,413</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>637,011</u>
Career and Technical Education (Perkins Grant)	84.048	12060-SDE64370-20742	22,218
Title I - Current	84.010	12060-SDE64370-20679	99,984
Title I - Carryover	84.010	12060-SDE64370-20679	17,111
Title II - Part A, Improving Teacher Quality - Current	84.367	12060-SDE64370-20858	49,716
Title II - Part A, Improving Teacher Quality - Carryover	84.367	12060-SDE64370-20858	<u>4,242</u>
Total U.S. Department of Education			<u>847,531</u>
Total Federal Financial Assistance			<u>\$ 1,402,645</u>

The accompanying notes are an integral part of this schedule

Town of Monroe, Connecticut

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. Summary Of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Awards presents activity of all federal award programs for the year ended June 30, 2015. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

Basis of Accounting

The financial statements for the governmental fund types contained in Town of Monroe, Connecticut's ("Town") basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Town of Monroe, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of report issued on compliance for major programs: unmodified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster (IDEA):
84.027	IDEA, Part B, Section 611, Handicapped
84.173	IDEA, Part B, Section 619, Preschool

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

Auditee qualified as a low risk auditee? yes no

Section II - Financial Statement Findings:

No matters were reported.

Section III - Federal Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to Federal financial assistance programs.