

Town of Brooklyn, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

DRAFT

Town of Brooklyn, Connecticut

Table of Contents
Year Ended June 30, 2014

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
<u>Exhibit</u>	
	Government-Wide Financial Statements
1	Statement of Net Position 11
2	Statement of Activities 12
	Fund Financial Statements
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 Fiduciary Net Assets - Fiduciary Funds 17
6	Statement of Changes in Fiduciary Net Assets - Fiduciary Funds 18
	Notes to the Financial Statements 19
Required Supplementary Information	
	Statement of Revenues, Expenditures and Changes in Budgetary Fund Balance - Budgetary Basis - Budget and Actual - General Fund 49
	Schedule of Funding Progress - Town Pension Trust Fund 50
	Schedule of Employer Contributions - Town Pension Trust Fund 51
	Schedule of Funding Progress - LOSAP Pension Trust Fund 50
	Schedule of Employer Contributions - LOSAP Pension Trust Fund 51
	Schedule of Funding Progress - OPEB Trust Fund 50
	Schedule of Employer Contributions - OPEB Trust Fund 51
Combining Financial Statements	
<u>Statement</u>	
	Special Revenue Funds
1	Combining Balance Sheet 52
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 53
	Pension Trust Funds
3	Combining Statement of Net Assets 54
4	Combining Statement of Changes in Fiduciary Net Assets 55
	Agency Funds
5	Combining Statement of Changes in Assets and Liabilities 56
<u>Schedule</u>	
1	Report of the Property Tax Collector 57
2	Statement of Changes in Fund Balance by Project - Capital Nonrecurring Fund 58

Town of Brooklyn, Connecticut

Table of Contents (Continued)
Year Ended June 30, 2014

	<u>Page No.</u>
Internal Controls and Compliance Reports	
<u>Government Auditing Standards Report</u>	60
State Single Audit	
State Single Audit Report	62
Schedule of Expenditures of State Financial Assistance	65
Notes to the Schedule of Expenditures of State Financial Assistance	66
Schedule of Findings and Questioned Costs	67
Federal Single Audit	
Federal Single Audit Report	69
Schedule of Expenditures of Federal Awards	72
Notes to the Schedule of Expenditures of Federal Awards	73
Summary Schedule of Prior Audit Findings	74
Schedule of Findings and Questioned Costs	75

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Independent Auditors' Report

**The Board of Finance
Town of Brooklyn, 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 Brooklyn, Connecticut ("Town") as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the budgetary comparison information 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 and individual 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 and individual fund financial statements and supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 December 16, 2013 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.

Report Date

Town of Brooklyn, Connecticut

Management's Discussion and Analysis Year Ended June 30, 2014

Our discussion and analysis of Town of Brooklyn, Connecticut's (the "Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

Financial Highlights

- Net position decreased by \$94,396 during fiscal year ending June 30, 2014.
- Total fund balance in all funds increased by \$1,599,227 during the same period.
- On the budgetary basis, total revenues exceeded total expenditures by \$185,554.

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 Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit 3 and continue through Exhibit 6. 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 Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins with Exhibit 1. One of the most important questions asked about the Town's finances is, "Is the Town 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 Town 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 Town's *net position* and changes in them. You can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town'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 Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town.

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes 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. The Town utilizes only governmental funds at this time. Governmental funds account for the Town's basic services 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.

Governmental funds 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 Town'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 Town's programs. We describe the relationship (or differences) between governmental *activities* (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 Town as Trustee

The Town is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position in Exhibits 5 and 6. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Town as a Whole

The Town's net position decreased by \$94,396 from a year ago. This is considered to be a measure of the Town's long-term health. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town.

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
 Year Ended June 30, 2014

**Table 1
 Net Position**

	2014	Dollars	Percent	2013
Current and other assets	\$ 5,939,270	\$ (176,007)	-2.9%	\$ 6,115,277
Capital assets	29,922,520	(473,956)	-1.6%	30,396,476
Total assets	<u>35,861,790</u>	<u>(649,963)</u>	-1.8%	<u>36,511,753</u>
Long-term debt outstanding	8,914,086	(938,393)	-9.5%	9,852,479
Other liabilities	843,636	382,824	83.1%	460,812
Total liabilities	<u>9,757,722</u>	<u>(555,569)</u>	-5.4%	<u>10,313,291</u>
Net position:				
Net investment in capital assets	25,296,729	340,060	1.4%	24,956,669
Restricted, expendable	474,807	2,037	0.4%	472,770
Unrestricted	332,532	(436,493)	-56.8%	769,025
Total net position	<u>\$ 26,104,068</u>	<u>\$ (94,396)</u>	-0.4%	<u>\$ 26,198,464</u>

Capital Assets decreased by \$473,957 due to depreciation expense of \$1,014,909 and the addition of capital assets totaling \$540,952 which includes \$394,230 of capitalized road work. The town continued to roll over its bond anticipation notes and decreased the amount this year. This caused a decrease in long-term debt and current assets. The decrease in capital assets was more than offset by the \$785,000 decrease in related debt, causing the \$340,060 increase in net investment in capital assets.

Other liabilities increased by \$382,824 due to an increase in accounts payable of \$376,963 mainly in the General Fund. The \$436,493 decrease in unrestricted net position is due to the \$194,648 increase in other post-employment benefits obligation and \$305,834 increase in net pension obligations.

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

Table 2
Changes in Net Position

Revenues	2014	Dollars	Percent	2013
Program revenues:				
Charges for services	\$ 1,115,349	\$ (47,359)	-4.1%	\$ 1,162,708
Operating grants and contributions	9,885,535	354,015	3.7%	9,531,520
Capital grants and contributions	314,710	(2,126,626)	-87.1%	2,441,336
General revenues:				
Property taxes	12,605,514	(7,358)	-0.1%	12,612,872
Grants and contributions	275,540	(83,019)	-23.2%	358,559
Interest and investment earnings	33,843	20,831	160.1%	13,012
Gain (Loss) on disposal of equipment	1,000	(15,557)	100.0%	16,557
Miscellaneous	45,693	13,380	41.4%	32,313
Total revenues	24,277,184	(1,891,693)	-7.2%	26,168,877
Program expenses				
General government	1,561,862	(191,851)	-10.9%	1,753,713
Development and planning	98,796	6,909	7.5%	91,887
Public safety	797,562	46,514	6.2%	751,048
Public works	1,192,563	(208,057)	-14.9%	1,400,620
Health, welfare and sanitation	86,494	882	1.0%	85,612
Culture and recreation	622,550	51,644	9.0%	570,906
Education	19,683,893	484,234	2.5%	19,199,659
Interest on long-term debt	327,860	40,639	14.1%	287,221
Total expenses	24,371,580	230,914	1.0%	24,140,666
Increase (decrease) in net position	\$ (94,396)	\$ (2,122,607)	-104.7%	\$ 2,028,211

Some of the significant variances are discussed below:

- Operating Grants increased in 2014 by \$354,015 from 2013. The main differences are a new \$94,443 technology grant for the school and a \$212,710 increase in the teachers retirement payment made by the state on behalf of the school.
- Capital Grants decreased in 2014 by \$2,126,626 from 2013. Capital grants are generally one time revenues. There were several significant grants in 2013 that were not repeated in 2014. These included: \$500,000 from STEAP for Allen Hill Road, \$246,588 from STEAP for the Riverside Phase II project, and \$1,470,654 as a reimbursement for the school wall project.
- General grants and contributions decreased by \$83,019 in 2014 mainly due to a \$69,707 decrease in the municipal revenue sharing grant which was ended in 2013.
- In total, program expenses increased by 1% as management tried to keep the expenses, and therefore taxes, from increasing.

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

- General government expenses decreased by \$191,851 in 2014. This was caused by a number of factors, some of which net with each other. The WPCA sewer use fee paid to Killingly was \$71,791 higher than in 2013. In 2013, the Town pension cost was \$17,332; in 2014, the cost increased to \$308,951 due to changes required by GASB 67, however, the increase in fiduciary net position of \$583,630 offset the cost increase.
- Public Works expense decreased by \$208,057 in 2014. In 2013, the town spent \$500,000 on road repairs, funded from the STEAP grant discussed above. Also in 2014, the General Fund medical and life insurance expense was \$67,385 less than 2013.
- Education expense increased by \$484,234 in 2014. This was due to a few factors. In Special Education Grants, \$110,968 was spent on the new technology grant in 2014. In the General Fund, school expenditures increased by \$307,177 based on the budget. The teachers retirement payment paid by the state on behalf of the town increase by \$212,710. Other post-employment benefit costs decreased by \$94,596.

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

Table 3
Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Incr.	2013	2013	Incr.
General government	\$ 1,561,862	\$ 1,753,713	-10.9%	\$ 829,835	\$ (839,586)	-198.8%
Development and planning	98,796	91,887	7.5%	83,053	77,569	7.1%
Public safety	797,562	751,048	6.2%	779,827	740,249	5.3%
Public works	1,192,563	1,400,620	-14.9%	950,880	1,056,397	-10.0%
Health, welfare and sanitation	86,494	85,612	1.0%	86,494	85,612	1.0%
Culture and recreation	622,550	570,906	9.0%	388,696	344,224	12.9%
Education	19,683,893	19,199,659	2.5%	9,609,341	9,278,058	3.6%
Interest on long-term debt	327,860	287,221	14.1%	327,860	262,579	24.9%
Totals	\$ 24,371,580	\$ 24,140,666	1.0%	\$ 13,055,986	\$ 11,005,102	18.6%

The changes in the total cost of services are discussed above. The net cost of services is not only affected by the total cost, but by the increases and decreases in offsetting revenues. The most volatile of the offsetting revenues are the capital grants and contributions because the capital costs would not be included here (they would be capitalized and depreciated), but the revenue related to that would be deducted here. The actual figures to calculate the net cost of services can be found in Exhibit 2. The net cost of all programs increased by 18.6% due to the decrease in capital grants discussed above.

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

The Town's Funds

Governmental funds as presented in Exhibits 3 and 4 report a \$1,599,227 increase in fund balance for all funds combined. Governmental funds use a different basis of accounting than the Government Wide statements shown in Exhibit 1 and 2 and discussed above. In the governmental funds, new debt is counted as revenue when it is received. Also, expenditures include payments of principal and interest on debt and the costs of capital additions. This is considered to be a measure of the Town's short-term health.

Most of the increase in the fund balance, \$1,377,246, is in the capital non-recurring fund. The Town received \$1,389,863 in grants and only spent \$240,534 on capital outlay due to a large amount of reimbursements received in the current year for prior year expenditures. In addition, the General Fund's Fund Balance increased by \$185,554 as revenues received were \$203,485 higher than expected.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance revised the Town budget several times with budget transfers and additional appropriations. Transfers do not increase the total budget, but instead move appropriations to one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summary of the final budget and actual results for the General Fund:

Table 4
General Fund - Budget Summary

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 12,692,144	\$ 12,833,167	\$ 141,023
Intergovernmental	8,474,036	8,515,781	41,745
Local Revenue	505,974	526,691	20,717
Total Revenues	21,672,154	21,875,639	203,485
Expenditures			
General Government	5,298,455	5,187,192	111,263
Education	16,645,267	16,502,893	142,374
Total Expenditures	21,943,722	21,690,085	253,637
Excess (Deficiency)	\$ (271,568)	\$ 185,554	\$ 457,122

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

The Town approved a budget for the year showing expenditures \$271,568 higher than revenues. There were no additional appropriations (increases in budgeted expenditures). The budget would have resulted in a decrease in fund balance of \$271,568.

The revenues were actually \$203,485 higher than budgeted and the expenditures were \$253,637 less than budgeted. As a result, the fund balance increased by \$185,554. This was a positive variance of \$457,122.

Overall, tax collections were \$141,023 higher than budget due to higher than average delinquent collections. Intergovernmental revenues were higher than budget by \$41,745 mainly due to the special education excess cost grant being \$48,218 higher than expected. Local revenues were \$20,717 higher than expected. Building permits were \$12,237 higher than budgeted.

General Government expenditures were less than budget, as they have been in previous years. This year, the general government was \$111,263 less than budget. The Board of Education was \$142,374 under budget. These are attributable to careful controls over costs.

Capital Assets and Debt Administration

Capital Assets

The Board of Finance has a Capital Funding Program to provide a framework and order to the process by which the Town may allocate resources within the Town's annual budget for capital expenditures. The objective of this program is to provide an accessible route to capital in order to fund well-conceived, rational and meritorious proposals which will provide substantial benefits, of a tangible and intangible nature, to the citizenry and communities within the Town.

A detailed written policy describes the program and provides the application and ranking process as well as the review criteria.

Capital Assets decreased by \$473,957 to a total of \$29,922,520. This is due to depreciation expense of \$1,014,909 and the addition of capital assets totaling \$540,952 which includes \$394,230 of capitalized road work.

More detailed information about the Town's capital assets is presented in Note 3 to the financial statements.

Debt

The town has been using bond anticipation notes to finance some large projects such as the preschool and the school's north wall repair. These are one year bonds that get paid off the next year with a new one year bond. Ultimately, these will be replaced with 20-year serial bonds. The bond outstanding at June 30, 2014 was paid off on August 12th with a new one year bond with an interest rate of .3953%.

Town of Brooklyn, Connecticut

Management's Discussion and Analysis (Continued)
Year Ended June 30, 2014

Even though the Town is using debt to finance certain projects, the Board of Finance has been working to minimize the amount of debt outstanding by paying down more on the debt than required or taking out less than needed. Because the debt is being rolled over each year, this is not obvious from looking at the statements.

At year-end, the Town had \$4,565,000 in bonds outstanding. This is a net decrease of \$785,000 from last year. The Town's general obligation bond continues to carry an A1 rating. More detailed information about the Town's long-term liabilities is presented in Note 3 to the financial statements.

Economic Factors and Next Year's Budget

The Town gets 37% of its budgeted revenue from the State of Connecticut. The state is in poor fiscal condition and is looking for ways to balance its own budget. Although Governor Malloy had said that he will not cut aid to the Towns, there is increasing pressure to do so.

The Town gets 57% of its budgeted revenue from property taxes. The real estate market is still not growing, therefore, the tax base is not growing. In the last four years, the taxable grand list has grown an average of 1.1% per year. Without any changes, increases in property tax rates are going to need to be made to finance any increases in budgeted expenditures in future years.

The budget for the 2014-15 fiscal year includes a mill rate of 23.434 mills. This is a 0.244 increase from the 2013-14 mill rate. The Town has offset a larger increase in the mill rate by applying \$128,118 of the accumulated surplus from prior years. The Town's Unassigned Fund Balance in the General Fund, is 11 percent of the total expenditures for the year. This is above the 5 to 8 percent range that the Board of Finance has targeted as a minimum threshold.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Brooklyn, Connecticut, P.O. Box 356, Brooklyn, CT 06234.

Town of Brooklyn, Connecticut

Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 3,580,352
Investments	601,003
Restricted cash and equivalents	41,030
Receivables	
Taxes, net	227,709
Accounts	51,964
Loans	277,655
Intergovernmental	960,834
Interest and liens	188,063
Special assessments	660
Prepaid expenses	6,900
Inventory	3,100
Capital assets	
Nondepreciable	3,450,112
Depreciable, net of accumulated depreciation	26,472,408
Total Assets	<u>35,861,790</u>
LIABILITIES	
Accounts payable	635,225
Intergovernmental payable	2,033
Accrued payroll and related	22,331
Accrued interest payable	42,278
Due to fiduciary funds	15,940
Performance bonds	41,016
Unearned revenues - paid in advance	84,813
Non-current liabilities	
Due within one year	4,690,914
Due in more than one year	4,223,172
Total Liabilities	<u>9,757,722</u>
NET POSITION	
Net investment in capital assets	25,296,729
Restricted net position	
Expendable	474,807
Unrestricted net position	332,532
Total Net Position	<u>\$ 26,104,068</u>

Town of Brooklyn, Connecticut

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					Governmental Activities
General government	\$ (1,561,862)	\$ 716,760	\$ 11,292	\$ 3,975	\$ (829,835)
Development and planning	(98,796)	15,743	-	-	(83,053)
Public safety	(797,562)	8,055	9,680	-	(779,827)
Public works	(1,192,563)	-	-	241,683	(950,880)
Health, welfare, and sanitation	(86,494)	-	-	-	(86,494)
Culture and recreation	(622,550)	233,854	-	-	(388,696)
Education	(19,683,893)	140,937	9,864,563	69,052	(9,609,341)
Interest on long-term debt	(327,860)	-	-	-	(327,860)
Total Governmental Activities	\$ (24,371,580)	\$ 1,115,349	\$ 9,885,535	\$ 314,710	(13,055,986)
General Revenues					
					12,605,514
					275,540
					33,843
					1,000
					45,693
					<u>12,961,590</u>
					(94,396)
					<u>26,198,464</u>
					<u>\$ 26,104,068</u>

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

Town of Brooklyn, Connecticut

Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Water Pollution Control Authority Fund	School Building Committee Fund	Capital Non Recurring Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	\$ 3,316,239	\$ 192,577	\$ -	\$ -	\$ 71,536	\$ 3,580,352
Investments	519,364	-	-	-	81,639	601,003
Restricted cash and equivalents	41,030	-	-	-	-	41,030
Taxes receivable, net of allowance for uncollectible amounts	227,709	-	-	-	-	227,709
Other receivables						
Accounts	2,850	48,520	-	-	594	51,964
Loans	-	-	-	-	277,655	277,655
Intergovernmental	231,171	-	-	712,138	17,525	960,834
Interest and liens	163,616	24,447	-	-	-	188,063
Special assessments	-	660	-	-	-	660
Due from other funds	649,417	20	1,337,154	175,863	241,486	2,403,940
Prepaid expenditures	6,900	-	-	-	-	6,900
Inventories	-	-	-	-	3,100	3,100
Total Assets	<u>\$ 5,158,296</u>	<u>\$ 266,224</u>	<u>\$ 1,337,154</u>	<u>\$ 888,001</u>	<u>\$ 693,535</u>	<u>\$ 8,343,210</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)						
Liabilities						
Accounts payable	\$ 537,974	\$ 97,251	\$ -	\$ -	\$ -	\$ 635,225
Intergovernmental payable	2,033	-	-	-	-	2,033
Accrued payroll and related	22,331	-	-	-	-	22,331
Due to other funds	1,259,051	-	613,059	387,000	160,770	2,419,880
Unearned revenues - performance	47,140	-	-	-	37,673	84,813
Performance bonds	41,016	-	-	-	-	41,016
Total Liabilities	<u>1,909,545</u>	<u>97,251</u>	<u>613,059</u>	<u>387,000</u>	<u>198,443</u>	<u>3,205,298</u>
Deferred inflows of resources						
Deferred revenues - not available	<u>503,587</u>	<u>54,138</u>	<u>-</u>	<u>712,138</u>	<u>-</u>	<u>1,269,863</u>
Fund balances (deficits)						
Nonspendable	6,900	-	-	-	3,100	10,000
Restricted	32,351	-	-	2,322	440,134	474,807
Committed	-	-	724,095	233,088	-	957,183
Assigned	128,118	114,835	-	-	51,858	294,811
Unassigned	<u>2,577,795</u>	<u>-</u>	<u>-</u>	<u>(446,547)</u>	<u>-</u>	<u>2,131,248</u>
Total Fund Balances (Deficits)	<u>2,745,164</u>	<u>114,835</u>	<u>724,095</u>	<u>(211,137)</u>	<u>495,092</u>	<u>3,868,049</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)						
	<u>\$ 5,158,296</u>	<u>\$ 266,224</u>	<u>\$ 1,337,154</u>	<u>\$ 888,001</u>	<u>\$ 693,535</u>	<u>\$ 8,343,210</u>

Town of Brooklyn, Connecticut

Reconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Position - Governmental Activities
June 30, 2014

Fund Balances - Total Governmental Funds	\$ 3,868,049
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.	29,922,520
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,269,863
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(4,565,000)
Notes and loans	(60,791)
Compensated absences	(475,891)
Post closure landfill costs	(198,000)
Pension obligations	(2,107,142)
OPEB obligations	(1,507,262)
Accrued interest	(42,278)
Pension assets	-
	<u>(8,956,364)</u>
Net Position of Governmental Activities	<u>\$ 26,104,068</u>

Town of Brooklyn, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General Fund	Water Pollution Control Authority Fund	School Building Committee Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property and taxes	\$ 12,833,167	\$ -	\$ -	\$ -	\$ -	\$ 12,833,167
Licenses and permits	358,026	436,005	-	-	-	794,031
Intergovernmental	9,903,495	-	-	1,389,863	1,106,789	12,400,147
Miscellaneous	159,079	88	-	-	221,819	380,986
Investment earnings	8,586	-	-	-	171	8,757
Total Revenues	<u>23,262,353</u>	<u>436,093</u>	<u>-</u>	<u>1,389,863</u>	<u>1,328,779</u>	<u>26,417,088</u>
EXPENDITURES						
Current						
General government	730,114	298,623	-	-	-	1,028,737
Public safety	800,941	-	-	-	-	800,941
Public works	991,689	-	-	-	257,846	1,249,535
Human services	86,494	-	-	-	-	86,494
Civic and cultural	518,909	-	-	-	65,758	584,667
Development and planning	98,796	-	-	-	-	98,796
Other	576,307	-	-	-	-	576,307
Education	17,890,607	-	-	-	996,782	18,887,389
Debt service						
Principal retirement	942,718	-	558,000	3,727,000	-	5,227,718
Interest and fiscal charges	59,701	-	5,555	37,176	-	102,432
Capital outlay	-	120,397	-	240,534	-	360,931
Total Expenditures	<u>22,696,276</u>	<u>419,020</u>	<u>563,555</u>	<u>4,004,710</u>	<u>1,320,386</u>	<u>29,003,947</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>566,077</u>	<u>17,073</u>	<u>(563,555)</u>	<u>(2,614,847)</u>	<u>8,393</u>	<u>(2,586,859)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	75,565	297,766	8,192	381,523
Transfers out	(381,523)	-	-	-	-	(381,523)
Sale of Capital Assets	1,000	-	-	-	-	1,000
Premium on issuance	-	-	2,759	22,327	-	25,086
Bonds issued	-	-	488,000	3,672,000	-	4,160,000
Total Other Financing Sources (Uses)	<u>(380,523)</u>	<u>-</u>	<u>566,324</u>	<u>3,992,093</u>	<u>8,192</u>	<u>4,186,086</u>
Net Change in Fund Balances	185,554	17,073	2,769	1,377,246	16,585	1,599,227
Fund Balances (Deficits) - Beginning	<u>2,559,610</u>	<u>97,762</u>	<u>721,326</u>	<u>(1,588,383)</u>	<u>478,507</u>	<u>2,268,822</u>
Fund Balances (Deficits) - End of Year	<u>\$ 2,745,164</u>	<u>\$ 114,835</u>	<u>\$ 724,095</u>	<u>\$ (211,137)</u>	<u>\$ 495,092</u>	<u>\$ 3,868,049</u>

Town of Brooklyn, Connecticut

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,599,227
<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 depreciation expense exceeded capital outlay in the current period</p>	
Capital outlay expenditures	540,953
Depreciation expense	<u>(1,014,909)</u>
	<u>(473,956)</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	(427,494)
State reimbursement of bond principal	(376,478)
Grant revenues in the Capital Nonrecurring Func	<u>(1,362,018)</u>
	<u>(2,165,990)</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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	(4,160,000)
Principal payments on long-term debt	<u>4,974,016</u>
	<u>814,016</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	8,520
Compensated absences	(5,399)
Post-closure landfill costs	18,000
Change in pension asset/liability	305,834
Other post employment benefits obligations	<u>(194,648)</u>
	<u>132,307</u>
Change in Net Position of Governmental Activities	<u>\$ (94,396)</u>

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

Town of Brooklyn, Connecticut

Statement of Net Position
Fiduciary Funds
June 30, 2014

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and equivalents	\$ 45,375	\$ 11,897
Investments, at fair value	3,899,533	23,238
Due from other funds	<u>-</u>	<u>15,940</u>
Total Assets	<u>3,944,908</u>	<u>51,075</u>
LIABILITIES		
Due to others	100	-
Due to students	<u>-</u>	<u>51,075</u>
Total Liabilities	<u>100</u>	<u>51,075</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$3,944,808</u>	<u>\$ -</u>

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

Town of Brooklyn, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 326,712
Investment income	
Net change in fair value of investments	335,534
Interest and dividends	<u>233,380</u>
Total Investment Income	<u>568,914</u>
Total Additions	<u>895,626</u>
DEDUCTIONS	
Pension benefits	284,101
Administrative fees	<u>29,934</u>
Total Deductions	<u>314,035</u>
Change in Net Position	581,591
Net Position - Beginning of Year	<u>3,363,217</u>
Net Position - End of Year	<u>\$ 3,944,808</u>

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

Town of Brooklyn, Connecticut

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

The Town of Brooklyn, Connecticut ("Town") is a municipal corporation governed by a selectmen–town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the town financial matters.

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 primary government 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.

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.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict GASB guidance.

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, liabilities, fund balances/net assets, revenues and expenditures/expenses. 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 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental are reported as separate columns in the fund financial statements.

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

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.
 - Water Pollution Control Authority Fund – The Water Pollution Control Authority Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the sewer system which is available to some of the residents.
 - School Building Fund – The School Building Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the building of a new preschool building.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

- Capital Nonrecurring Fund - The Capital Nonrecurring Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

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 or committed to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

- Small Cities Block Grant Fund – The Small Cities Block Grant Fund is used to account for and report grants received through the Federal Small Cities Block Grant Program that are restricted to expenditures for the assistance of low income citizens by providing them with interest free loans of Federal funds.
- Town Aid Road Fund – The Town Aid Road Fund is used to account for and report a grant from the State of Connecticut that is restricted to expenditures for the construction, reconstruction, improvement, and maintenance of improved and unimproved roads.
- Special Education Grants Fund – The Special Education Grants Fund is used to account for and report a number of Federal, State, and local educational grants that are restricted to specific expenditures for educational purposes.
- Cafeteria Fund – The Cafeteria Fund is used to account for and report financial resources received from the cafeteria and milk programs that are restricted, committed or assigned to expenditures for the school cafeteria lunch program. Besides the fee charged to students, the revenue comes from the federal and state reimbursements for free and reduced lunches to low income individuals.
- Recreation Fund – The Recreation Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for activities sponsored by the Recreation Commission.
- Open Space Land Acquisition Fund – The Open Space Land Acquisition Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for future purchases of open space land in town.
- Memorial Scholarship Fund – The Memorial Scholarship Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for scholarships for deserving school children.

1. Summary of Significant Accounting Policies (Continued)

- b. Fiduciary Funds (Not included in government-wide financial statements) - 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 and Agency funds. The Pension Trust Funds are provided to account for the activities of the Town's two defined benefit pension plans, which accumulate resources for pension and health benefit payments to qualified employees upon retirement. The Agency Fund is primarily utilized to account for monies held as custodian for outside student groups.

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 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, pollution remediation obligations, post-closure landfill costs, 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.

1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets 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.

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. 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 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)

The Short-Term Investment Fund ("STIF") is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports 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 pool is overseen by the Office of the State Treasurer. The pool is rated AAAM by Standard & Poor's. This is the highest rating for money market funds and investment pools. 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. The fair value of the position in the pool is the same as the value of the pool shares.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

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.

Restricted Cash and Equivalents - Certain assets are classified as restricted because their use is limited.

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into four billings; the following July 1st, October 1st, January 1st, and April 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, November 1st, February 1st, and May 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

1. Summary of Significant Accounting Policies (Continued)

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.

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.

Loans Receivable - Loans receivable in the Small Cities Block Grant Funds are due from citizens. The loans are made through a federal grant. These are generally for renovations to personal residences and are secured by the residences. There is no interest or set maturity date. They become due when the taxpayer dies, sells or refinances the home.

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, 2014, 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.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

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:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 25,000
Construction in progress	N/A	
Intangible assets	Varies, if any	\$ 25,000
Buildings and systems	50	\$ 10,000
Machinery and equipment		
Heavy equipment	10	\$ 10,000
Vehicles	10	\$ 10,000
Other equipment	5	\$ 5,000
Infrastructure		
Bridges	40	\$ 25,000
Roads and drainage	20	\$ 25,000
Sidewalks	20	\$ 25,000
Sewer systems	50	\$ 25,000

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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. 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.

Also, deferred revenues in the fund financial statements 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.

1. Summary of Significant Accounting Policies (Continued)

Long-Term Liabilities - In the government-wide financial statements, 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 debt service expenditures.

Compensated Absences - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

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 their 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.
- 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 at a Town Meeting 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.

1. Summary of Significant Accounting Policies (Continued)

- 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 of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

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.

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 of resources, 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 **report date**.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

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.
- **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.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Other Grants** – The Town nets the revenue from the State historic preservation grant with the expenditures for the grant
- **Insurance Proceeds** – The Board of Education recognizes insurance proceeds in the year earned whether they were received in 60 days or not.

B. Budget Calendar

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting 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.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (Continued)

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.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.

D. Application of Accounting Standards

For the year ended June 30, 2014, the Town implemented:

- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance.
- GASB Statement 67, 68 and 71 – *Financial Reporting for Pension Plans* – These statements amend GASB Statement 25 and 27. This resulted in a restatement the beginning balances. The net pension obligation increased and net position decreased in the amount \$2,092,581.
- GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

E. Fund Deficit

The Capital Nonrecurring Fund has an unassigned deficit of \$446,547 at June 30, 2014. The Town considers this a timing issue and plans to address this deficit in the subsequent year.

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, 2014:

Statement of Net Position	
Cash and equivalents	\$ 3,580,352
Restricted cash	41,030
Investments	601,003
	<u>4,222,385</u>
Fiduciary Funds	
Cash and equivalents	57,272
Investments	3,922,771
	<u>3,980,043</u>
Total Cash and Investments	<u>\$ 8,202,428</u>

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Cash and Cash Equivalents - As of June 30, 2014 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 2,227,116
Plus external investment pools	1,618,591
Less Certificates of deposits (in investments)	(167,053)
	<u>\$ 3,678,654</u>

The bank balance of the deposits with financial institutions was \$2,206,034 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,089,402
Collateralized by securities held in trust	
Not in the Town's name	534,707
Uninsured and uncollateralized	581,925
	<u>\$ 2,206,034</u>

Investments – Investments are summarized as follows at June 30, 2014

Investments reported in Governmental Funds

	Other
	Governmental
	<u>General Fund</u>
Certificates of deposit	\$ 352,311
U.S. treasuries	167,053
	<u>\$ 519,364</u>
	\$ 81,639
	<u>\$ 81,639</u>

Investments reported in Fiduciary Funds

	Town Pension	Student	Total
	Trust Fund	Activity Fund	Investments
Certificates of deposit	\$ -	\$ 23,238	\$ 23,238
Mutual funds - equity	3,899,533	-	3,899,533
	<u>\$ 3,899,533</u>	<u>\$ 23,238</u>	<u>\$ 3,922,771</u>

Below is a summary of the interest rate risk and credit risk as of June 30, 2014:

	Average		Investment Maturities (in Years)		
Type of Investment	Credit	Fair	Less Than	1-5	Over
	Rating	Value	1 Year	Years	5 Years
Certificates of deposit	*	\$ 104,877	\$ 104,877	\$ -	\$ -
U.S. treasuries	NA	167,053	-	-	167,053
Mutual funds - equity	NA	3,899,533	3,899,533	-	-
Total		<u>\$ 4,171,463</u>	<u>\$ 4,004,410</u>	<u>\$ -</u>	<u>\$ 167,053</u>

* **Certificates of Deposit** – The Town invests in nonparticipating interest-earning investment contracts in the form of certificates of deposit. These do not capture the market (interest rate) changes through the investment's negotiability or transferability, or redemption terms that consider market rates. This exposes the Town to interest rate risk.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

B. Receivables, Deferred Revenue and Unearned Revenue

Not all special assessments, intergovernmental and loans receivable are expected to be collected within the next year.

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.

	General Fund	Water Pollution Control Authority Fund	Capital Nonrecurring Fund
Property taxes and interest	\$ 272,416	\$ -	\$ -
Special assessments	-	54,138	-
Intergovernmental revenue	231,171	-	712,138
	<u>\$ 503,587</u>	<u>\$ 54,138</u>	<u>\$ 712,138</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, 2014

	General Fund	Other Governmental Funds
Advances on grants	\$ -	\$ 37,673
Fees collected in advance	47,140	-
	<u>\$ 47,140</u>	<u>\$ 37,673</u>

C. Operating Lease Receivable

The Town entered into a twenty year operating lease with a third party for office space in a Town building. The Town invested \$300,000 to convert the building for rental space. The accumulated depreciation on the improvements is \$38,238. The annual rent of \$25,000 will be received in twelve monthly payments of \$2,083.33. This rent will be increased annually at a rate of 2.5%. Future minimum lease payments for the term of the lease are as follows:

Year End	Amount	Year End	Amount	Year End	Amount
2015	30,460	2020	34,463	2024	38,040
2016	31,222	2021	35,324	2025	38,991
2017	32,002	2022	36,207	Total	<u>\$ 380,246</u>
2018	32,802	2023	37,113		
2019	33,622				

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

D. 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, 2014 these were summarized as follows

Receivable fund	Payable Fund	Amount
General Fund	School Building Committee Fund	\$ 613,059
General Fund	Other Governmental Funds	36,358
School Building Committee Fund	General Fund	950,154
School Building Committee Fund	Capital Nonrecurring Fund	387,000
Capital Nonrecurring Fund	Other Governmental Funds	123,912
Other Governmental Funds	General Fund	293,457
Student Activity	General Fund	15,440
Student Activity	Other Governmental Funds	500
		\$ 2,419,880

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2014 were as follows

	Transfers into:			Total
	School Building Committee Fund	Capital Nonrecurring Fund	Other Governmental Funds	
Transfers out of General Fund	\$ 75,565	\$ 297,766	\$ 8,192	\$ 381,523

E. 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	\$ 2,927,769			\$ 2,927,769
Construction in progress	764,865	-	(242,522)	522,343
	3,692,634	-	(242,522)	3,450,112
Capital assets being depreciated				
Buildings and systems	29,137,105	300,502	-	29,437,607
Machinery and equipment	2,854,060	88,742	-	2,942,802
Infrastructure	9,527,339	394,230	-	9,921,569
Accumulated depreciation	(14,814,661)	(1,014,909)	-	(15,829,570)
	26,703,843	(231,435)	-	26,472,408
	\$ 30,396,477	\$ (231,435)	\$ (242,522)	\$ 29,922,520

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

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

General government	\$ 95,203
Public safety	27,776
Public works	364,333
Education	527,597
	<u>\$ 1,014,909</u>

F. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 5,350,000	\$ 4,160,000	\$ (4,945,000)	\$ 4,565,000	\$ 4,565,000
Notes and loans	89,807	-	(29,016)	60,791	30,005
Compensated absences	470,492	9,809	(4,410)	475,891	77,909
Post closure landfill costs	216,000	-	(18,000)	198,000	18,000
Pension obligations	2,412,976	-	(305,834)	2,107,142	-
OPEB obligations	1,312,614	197,901	(3,253)	1,507,262	-
	<u>\$ 9,851,889</u>	<u>\$ 4,367,710</u>	<u>\$ (5,305,513)</u>	<u>\$ 8,914,086</u>	<u>\$ 4,690,914</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.

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. The Bond Anticipation Note (BAN) was rolled over on August 14, 2013 into a new, one-year BAN for \$4,160,000 with interest at a rate of .31%. General obligation bonds outstanding as of June 30, 2014 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Land; Elem & Middle School					
Renovations; Fire Truck	2002	\$ 9,335,000	2015	3.0% to 4.1%	\$ 405,000
Multipurpose Bond Anticipation	2014	\$ 4,160,000	2015	1.0%	4,160,000
					<u>\$ 4,565,000</u>

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Payments to maturity on the general obligation bonds are as follows

Year End	General Obligation Bonds	
	Principal	Interest
2015	<u>\$ 4,565,000</u>	<u>\$ 58,205</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2014 totaled \$85,736.

Notes Payable

The Town has an installment note for the purchase of a truck in the initial amount of \$145,000. The note is payable in 5 annual installments of \$32,078. This installment includes interest at 3.41% per year. Annual debt service requirements to maturity for the loans and notes payable are as follows

Year End	Notes and Loans	
	Principal	Interest
2015	30,005	2,073
2016	30,786	1,050
	<u>\$ 60,791</u>	<u>\$ 3,123</u>

Interest paid and expenses on notes payable for the year ended June 30, 2014 totaled \$3,062.

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. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

Post Closure Landfill Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in the long-term debt. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year the actual costs amounted to \$2,560.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (continued)

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, 2014, \$415,000 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 are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	12,833,167
Total tax collections (including interest and lien fees) for the year - coterminous governments	251,577
Debt limitation base	<u>\$ 13,084,744</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 29,440,674	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	58,881,348	-	-	-
3 3/4 times base	-	-	49,067,790	-	-
3 1/4 times base	-	-	-	42,525,418	-
3 times base	-	-	-	-	39,254,232
Total debt limitation	<u>29,440,674</u>	<u>58,881,348</u>	<u>49,067,790</u>	<u>42,525,418</u>	<u>39,254,232</u>
Indebtedness					
Bonds payable	1,830,235	2,734,765	-	-	-
Loans payable - coterminus	177,120	-	-	-	-
To be provided by the state	-	(231,171)	-	-	-
Total indebtedness	<u>2,007,355</u>	<u>2,503,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 27,433,319</u>	<u>\$ 56,377,754</u>	<u>\$ 49,067,790</u>	<u>\$ 42,525,418</u>	<u>\$ 39,254,232</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 91,593,208

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

G. Net Position

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 – 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	\$ 412,539
Education	16,864
Public Works	1,098
Culture and Recreation	17,020
Capital Projects	2,322
Other Purposes	24,964
	<u>\$ 474,807</u>

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

H. 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	Water Pollution Control Authority Fund	School Building Committee Fund	Capital Nonrecurring Fund	Other Governmental Funds
Nonspendable					
Not in spendable form					
Prepaid expenditures	\$ 6,900	\$ -	\$ -	\$ -	\$ -
Inventories	-	-	-	-	3,100
	<u>\$ 6,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,100</u>
Restricted					
General Government	\$ 32,351	\$ -	\$ -	\$ -	\$ 380,188
Education	-	-	-	-	16,864
Public Works	-	-	-	-	1,098
Culture and Recreation	-	-	-	-	17,020
Capital Projects	-	-	-	2,322	-
Other Purposes	-	-	-	-	24,964
	<u>\$ 32,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,322</u>	<u>\$ 440,134</u>

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (continued)

	General Fund	Water Pollution Control Authority Fund	School Building Committee Fund	Capital Nonrecurring Fund	Other Governmental Funds
Committed					
Capital Projects	\$ -	\$ -	\$ 724,095	\$ 233,088	\$ -
Assigned					
General Government	\$ -	114,835	\$ -	\$ -	\$ -
Education	-	-	-	-	25,178
Culture and Recreation	-	-	-	-	26,680
Capital Projects	-	-	-	-	-
To balance next year's budget	128,118	-	-	-	-
	<u>\$ 128,118</u>	<u>\$ 114,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,858</u>

I. Employee Retirement Systems and Pension Plans

Teachers' Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. 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 financial report may be obtained through the State Teachers' Retirement Board.

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, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2014, the State contributed \$1,387,714 into the pension plan on behalf of the Town. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2014 was \$8,517,675 of which \$5,598,662 was covered under this pension plan.

3. Detailed Notes on All Funds (continued)

Brooklyn Public Employee Retirement System

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 employees. 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 provides retirement benefits through a single employer non-contributory defined benefit plan. All employees working more than 20 hours per week or more than five months per year are eligible after completion of one year of continuous service.

The retirement benefit is calculated at 1.5 percent of the participant's average monthly earnings during the final 120 months of employment multiplied by years of service. (For Highway Workers, effective July 1, 1998, the average monthly earnings are calculated during the final 60 months. Effective June 30, 2001, the average monthly earnings are calculated during the final 36 months) Normal Retirement age is: age 65, if employee is under age 55 on the date included in the plan; 10th anniversary of the date of participation, if employee is between the ages of 55 and 59; age 70, if employee is at least age 60 on the date included in the plan. Participants are 100% vested after 5 years of continuous service. Benefits and contributions are established by the Town and may be amended by the Town. The Town has not given any post-retirement benefit increases. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Plan Membership – As of the date of the latest actuarial valuation (July 1, 2012), membership consisted of the following:

Retirees and beneficiaries receiving benefits	31
Terminated employees entitled to benefits, but not yet receiving them	11
Active members	69
	<u>111</u>

Funding Policy – The Town is required to contribute all amounts necessary to finance coverage as determined through biennial actuarial valuations. No employee contributions are required.

Investments

Investment Policy -

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.

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

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Large Cap	28.00%	4.75%
US Mid/Small Cap	12.00%	5.50%
Emerging Market Equities	4.00%	6.00%
Developed International Equities	16.00%	5.25%
International Bonds	23.00%	2.00%
Intermediate Corporate	12.00%	2.25%
High-Yield Bonds	4.00%	3.25%
Inflation/Cash	1.00%	0.00%

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 monthly 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, 2014 16.70%

Net Pension Liability

The components of the net pension liability of the Town as of June 30, 2014 were as follows:

Town pension liability	\$ 4,948,383
Plan fiduciary net position	<u>3,899,533</u>
Net pension liability	<u>\$ 1,048,850</u>
Plan fiduciary net position as a percentage of total pension liability	79%

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the June 30, 2014 valuation:

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	Unit Credit
Amortization method	
Level percent or level dollar	Level dollar
Closed, open or layered	Open periods
Amortization period at 12/1/12	15 years
Amortization growth rate	0.00%
Asset valuation method	
Smoothing period	5 year
Recognition method	Smoothed, 20% per year
Corridor	None
Inflation	3.00%
Salary increases	4.75%
Investment rate of return	7.50%
Cost of living adjustment	None
Retirement age	All are assumed to retire at normal retirement
Turnover	None
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality Table

Sensitivity Analysis – The following presents the net pension liability 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
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 1,650,625	\$ 1,048,850	\$ 536,552

Town of Brooklyn Fire Departments Service Award Program

Plan Description – The Town of Brooklyn is the administrator of a single employer public employee retirement system (“PERS”) established and administered by the Town to provide pension benefits for its volunteer firefighters. The PERS is part of the Town’s financial reporting entity and is accounted for in the Town’s financial statement as a pension trust fund. The Plan provides retirement benefits through a single employer non-contributory defined benefit plan. Volunteer Firefighters are eligible to participate in the plan, if they have completed one year of firefighting service and are age eighteen. A separate stand-alone financial report is not issued.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (continued)

The monthly pension benefits are \$10 per month for each year of firefighting service with a maximum of 30 years of service. A year of firefighting service credit is based on the attainment of point. Normal Retirement age is age 65. Participants are 100% vested after 10 years of service. Effective March 1, 2008, both participation in the plan and the accrual of any additional service are frozen. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

As of the date of the latest actuarial valuation (June 30, 2014), membership consisted of the following:

Retirees and beneficiaries receiving benefits	29
Terminated employees entitled to benefits, but not yet receiving the	1
Active members	57
	87
	87

Funding Policy – The contribution requirements of the Town are established by, and may be amended by the Board of Selectmen. The Town’s funding policy provides for periodic employer contributions to accumulate sufficient assets to pay benefits when due.

Investments

Investment Policy -

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.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Money Market	100.00%	0.50%

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, 2014 0.0001%

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

Net Pension Liability

The components of the net pension liability of the Town as of June 30, 2014 were as follows:

LOSAP pension liability	\$ 1,103,643
Plan fiduciary net position	<u>45,351</u>
Net pension liability	<u>\$ 1,058,292</u>
Plan fiduciary net position as a percentage of total pension liability	4%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in June 30, 2014 valuation:

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 Normal
Amortization method	
Level percent or level dollar	Level dollar
Closed, open or layered	Closed periods
Amortization period at 7/1/12	23 years
Amortization growth rate	0.00%
Asset valuation method	
Smoothing period	None
Recognition method	None
Corridor	None
Inflation	3.00%
Salary increases	N/A
Investment rate of return	5.50%
Cost of living adjustment	None
Retirement age	Age 65
Turnover	None
Pre-Retirement Mortality	None
Post-Retirement Mortality	RP-2000 Mortality Table

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

Sensitivity Analysis – The following presents the net pension liability 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 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Net Pension Liability	\$ 1,168,254	\$ 1,058,292	\$ 960,084

J. Other Post-Employment Benefits

Plan Description - The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Brooklyn, Connecticut. The Connecticut General Statutes and the various collective bargaining agreements stipulate the employees covered and the benefits provided. The plan does not issue a separate financial statement.

Funding Policy - Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees’ health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements.

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

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2013	\$ 3,215,468
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 3,215,468</u>
Funded Ratio	0.00%
Covered Payroll (Active plan members)	\$ 5,314,388
UAAL as a Percentage of Covered Payroll	60.50%
Annual required contribution (ARC)	\$ 321,066
Interest on net OPEB obligation (NOO)	40,935
Adjustment to annual required contribution	<u>(56,917)</u>
Annual OPEB cost (APC)	305,084
Contributions made	<u>15,840</u>
Increase (decrease) in net OPEB obligation	289,244
Net OPEB obligation (asset), beginning of year	<u>1,023,370</u>
Net OPEB obligation (asset), end of year	<u>\$ 1,312,614</u>

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

Three year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (NOO)</u>
6/30/2014	\$ 197,901	\$ 3,253	1.64%	\$ 1,507,262
6/30/2013	\$ 305,084	\$ 15,840	5.19%	\$ 1,312,614
6/30/2012	\$ 304,295	\$ 12,300	4.04%	\$ 1,023,370

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.

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. Funding for the Plan has been established on a pay-as-you-go basis.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (continued)

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.00%
Payroll Growth Rate	N/A
Medical Inflation	9.0% for 2013, decreasing 0.5% per year, to an ultimate rate of 5.0% for 2021 and later.
Dental Inflation	5.0% per year
Remaining amortization	30 years, level dollar, open
Mortality	RP-2000 Combined Mortality Table with separate male and female rates, combined for non-annuitants and annuitants, projected to the valuation date with Scale AA.
Turnover	As used in the Connecticut State Teachers' Retirement System 2012 Pension Valuation
Retirement	As used in the Connecticut State Teachers' Retirement System 2012 Pension Valuation
Future Retiree Coverage	100% are assumed to elect coverage at retirement
Future Dependent Coverage	85% of males and 75% of females assumed married with wives assumed to be 3 years younger than males.

Schedule of Funding Progress

As of the last valuation date, July 1, 2013, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$3,215,468. 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.

4. 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.

Town of Brooklyn, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

4. Other Information (Continued)

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. 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.

D. Commitments

Preschool Building – On May 10, 2005 the Town approved an appropriation of \$5,569,000 for the renovation and/or the expansion of the preschool building. On April 24, 2007 this appropriation was increased by \$254,300. Long-term debt in the same amount was approved to fund costs that are not covered by grants and other sources. These activities are reported in Exhibits 3 and 4 in the School Building Fund.

Middle School Wall – On June 1, 2011 the Town approved an appropriation of \$1,700,000 for the middle school wall project. On July 16, 2012 this appropriation was increased by \$200,000. Long-term debt in the same amount was approved to fund costs that are not covered by grants and other sources. These activities are reported in Exhibits 3 and 4 in the Capital Nonrecurring Fund.

E. 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 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. This statement is effective for fiscal years beginning after June 15, 2014.

4. Other Information (Continued)

- 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. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.
- 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.

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Town of Brooklyn, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Revenues					
Property Tax Revenues					
Current taxes	\$ 12,042,144	\$ -	\$ 12,042,144	\$ 12,082,770	\$ 40,626
Prior taxes	400,000	-	400,000	398,391	(1,609)
Interest and lien fees	150,000	-	150,000	228,397	78,397
Motor vehicles	100,000	-	100,000	123,609	23,609
	<u>12,692,144</u>	<u>-</u>	<u>12,692,144</u>	<u>12,833,167</u>	<u>141,023</u>
Intergovernmental Revenues					
Education assistance	7,074,400	-	7,074,400	7,094,411	20,011
Transportation	150,954	-	150,954	129,086	(21,868)
Spec. ed. excess cost	340,028	-	340,028	388,246	48,218
State bldg grants	418,977	-	418,977	418,977	-
Mashantucket grant	239,599	-	239,599	245,187	5,588
Pilot state property	147,607	-	147,607	142,639	(4,968)
Tax relief for disability	997	-	997	838	(159)
Circuit breaker	57,808	-	57,808	51,295	(6,513)
Veterans loss	5,302	-	5,302	5,069	(233)
Motor vehicle fines	4,000	-	4,000	3,847	(153)
Miscellaneous grants	2,000	-	2,000	-	(2,000)
Telephone tax	17,364	-	17,364	16,655	(709)
D.U.I. grant	15,000	-	15,000	9,680	(5,320)
Municipal revenue sharing	-	-	-	9,761	9,761
	<u>8,474,036</u>	<u>-</u>	<u>8,474,036</u>	<u>8,515,781</u>	<u>41,745</u>
Local Revenues					
Health department rent	29,355	-	29,355	29,355	-
Children's court rent	8,997	-	8,997	8,997	-
Community center	8,400	-	8,400	-	(8,400)
Garage rental	5,037	-	5,037	5,040	3
Comm. center rental fee	50	-	50	100	50
Interest - investments	12,000	-	12,000	8,586	(3,414)
Recreation fees	148,259	-	148,259	153,880	5,621
Misc permits	3,000	-	3,000	4,131	1,131
Registrar fees	25	-	25	-	(25)
Town clerk fees	50,000	-	50,000	48,786	(1,214)
Conveyance tax	50,000	-	50,000	54,194	4,194
Miscellaneous income	20,601	-	20,601	26,934	6,333
Copier fees	8,000	-	8,000	9,648	1,648
Apartment inspections	750	-	750	420	(330)
Brooklyn fair temporary reimbursement	6,500	-	6,500	7,011	511
Building permits	50,000	-	50,000	62,237	12,237
Fire marshal fees	3,000	-	3,000	1,315	(1,685)
Zoning board of appeal	500	-	500	-	(500)
Regulation books	100	-	100	32	(68)
Planning and zoning fees	8,000	-	8,000	12,119	4,119
Wetlands fees	1,500	-	1,500	3,624	2,124
Town Clerk-LOCIP	-	-	-	3,975	3,975

(Continued)

Town of Brooklyn, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Town clerk fund reserved	\$ -	\$ -	\$ -	\$ 2,165	\$ 2,165
Town clerk preservation reserved	-	-	-	1,325	1,325
Transfer station fees	89,800	-	89,800	79,870	(9,930)
Sale fixed assets	100	-	100	1,000	900
Dog license/fees	2,000	-	2,000	1,700	(300)
	<u>505,974</u>	<u>-</u>	<u>505,974</u>	<u>526,691</u>	<u>20,717</u>
Total Revenues	<u>21,672,154</u>	<u>-</u>	<u>21,672,154</u>	<u>21,875,639</u>	<u>203,485</u>
Expenditures					
General Government					
Board of finance	35,300	-	35,300	32,006	3,294
Board of selectmen	45,522	4,992	50,514	50,514	-
Engineering	24,740	-	24,740	24,214	526
Administration	201,133	(51,965)	149,168	149,168	-
Treasurer	10,702	2,599	13,301	13,301	-
Revenue collector	98,556	4,843	103,399	103,399	-
Assessor	113,735	328	114,063	114,063	-
Board of assessment	380	20	400	400	-
Recording	114,746	-	114,746	110,379	4,367
Elections	28,889	-	28,889	24,207	4,682
Legal	22,500	9,619	32,119	32,119	-
Probate	5,079	-	5,079	4,124	955
Town hall	41,060	-	41,060	38,914	2,146
Central supplies	52,300	5,568	57,868	57,520	348
	<u>794,642</u>	<u>(23,996)</u>	<u>770,646</u>	<u>754,328</u>	<u>16,318</u>
Public Safety					
Canine control	24,567	-	24,567	24,567	-
Patrol services	206,372	14,587	220,959	220,959	-
Fire marshal	33,932	10,552	44,484	44,484	-
Fire facilities	469,624	2,803	472,427	472,427	-
Emergency communications	33,335	4,366	37,701	37,701	-
Homeland security	3,060	-	3,060	802	2,258
	<u>770,890</u>	<u>32,308</u>	<u>803,198</u>	<u>800,940</u>	<u>2,258</u>
Public Works					
Roads and drainage	503,631	8,549	512,180	512,180	-
Maintenance and equipment	97,501	7,951	105,452	105,452	-
Snow removal	76,300	-	76,300	70,705	5,595
Garage maintenance	17,890	711	18,601	18,601	-
Resource recovery	197,730	-	197,730	189,790	7,940
Building official	67,879	2,868	70,747	70,747	-
	<u>960,931</u>	<u>20,079</u>	<u>981,010</u>	<u>967,475</u>	<u>13,535</u>
Human Services					
Health	75,910	-	75,910	75,910	-
Cemeteries	10,585	-	10,585	10,585	-
	<u>86,495</u>	<u>-</u>	<u>86,495</u>	<u>86,495</u>	<u>-</u>

(Continued)

Town of Brooklyn, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Civic and Cultural					
Library	118,803	-	118,803	118,803	-
Transit district	13,517	-	13,517	13,517	-
Special programs	6,000	-	6,000	4,390	1,610
Recreation	260,408	-	260,408	249,182	11,226
Park maintenance	89,809	2,973	92,782	92,782	-
Community center	27,740	-	27,740	20,782	6,958
Recreation Building	21,700	-	21,700	19,453	2,247
	<u>537,977</u>	<u>2,973</u>	<u>540,950</u>	<u>518,909</u>	<u>22,041</u>
Development and Planning					
Planning and zoning	78,952	-	78,952	63,198	15,754
Zoning board of appeal	700	-	700	-	700
Agriculture commission	700	48	748	748	-
Conservation commission	2,100	-	2,100	1,877	223
Inland and wetlands commission	32,014	-	32,014	29,541	2,473
Economic development commission	6,500	-	6,500	3,432	3,068
Open space	8,192	-	8,192	8,192	-
	<u>129,158</u>	<u>48</u>	<u>129,206</u>	<u>106,988</u>	<u>22,218</u>
Sundry					
Contingency	20,000	-	20,000	-	20,000
Fringe benefits	500,590	(44,918)	455,672	447,576	8,096
Municipal insurance	115,225	13,506	128,731	128,731	-
Long term debt service	1,051,947	-	1,051,947	1,045,150	6,797
Capital equipment	205,600	-	205,600	205,600	-
Transfer to capital and nonrecurring	125,000	-	125,000	125,000	-
	<u>2,018,362</u>	<u>(31,412)</u>	<u>1,986,950</u>	<u>1,952,057</u>	<u>34,893</u>
Total General Government	5,298,455	-	5,298,455	5,187,192	111,263
Total Board of Education	16,645,267	-	16,645,267	16,502,893	142,374
Total Expenditures	21,943,722	-	21,943,722	21,690,085	253,637
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	\$ (271,568)	\$ -	\$ (271,568)	185,554	\$ 457,122
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				(1,387,714)	
Expenditures for Teachers' Retirement				<u>1,387,714</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 185,554</u>	

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund. 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. The Town recognizes encumbrances payable as an expenditure in the year they were committed; 3. Revenues and expenditures from refunding or renewing long-term debt or issuing lease or note financing is included in the budget as the net revenue or expenditure expected; 4. The Town nets the revenue from the State historic preservation grant with the expenditures; and, 5. The Board of Education recognizes insurance proceeds when they are earned, whether or not available.

Town of Brooklyn, Connecticut

Required Supplementary Information
 Town Pension Trust Fund
 Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2014</u>
Town Pension Trust Fund	
Total Pension Liability	
Service cost	\$ 179,884
Interest on total pension liability	353,196
Effect of plan changes	-
Effect of economic/demographic gains (losses)	-
Effect of assumption changes or inputs	-
Benefit payments	<u>(224,129)</u>
Net change in total pension liability	308,951
Total pension liability, beginning	<u>4,639,432</u>
Total pension liability, ending	<u>4,948,383</u>
Fiduciary Net Position	
Employer contributions	251,168
Member contributions	-
Investment income net of investment expenses	129,412
Benefit payments	<u>(224,129)</u>
Administrative expenses	(12,604)
Other	<u>439,783</u>
Net change in plan fiduciary net position	583,630
Fiduciary net position, beginning	<u>3,315,903</u>
Fiduciary net position, ending	<u>3,899,533</u>
Net pension liability, ending	<u>\$1,048,850</u>
Fiduciary net position as a % of total pension liability	78.80%
Covered payroll	\$2,197,494
Net pension liability as a % of covered payroll	47.73%

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Town of Brooklyn, Connecticut

Required Supplementary Information
 Town Pension Trust Fund
 Schedule of Employer Contributions
 Since Inception of GASB 67/68

	<u>2014</u>
Actuarially determined contribution	\$ 310,080
Contributions in relation to the actuarially determined contribution	<u>\$251,168</u>
Contribution deficiency (excess)	<u>\$ 58,912</u>
Covered employee payroll	\$2,197,494
Contributions as a percentage of covered employee payroll	11.43%

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	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	15 year, open
Asset valuation method	5-year, 20% per year
Inflation	3.00%
Salary increases	4.75%
Investment rate of return	7.50% compounded annually
Retirement age	All are assumed to retire at normal retirement age
Mortality	RP-2000 Mortality Table

Town of Brooklyn, Connecticut

Required Supplementary Information
Town Pension Trust Fund
Annual Money-Weighted Rate of Return
Last 10 Fiscal Years or Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2014	16.70%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA
2006	NA
2005	NA

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Town of Brooklyn, Connecticut

Required Supplementary Information

LOSAP Pension Trust Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2014</u>
LOSAP Pension Trust Fund	
Total Pension Liability	
Service cost	\$ -
Interest on total pension liability	41,254
Effect of plan changes	-
Effect of economic/demographic gains (losses)	-
Effect of assumption changes or inputs	-
Benefit payments	<u>(74,472)</u>
Net change in total pension liability	(33,218)
Total pension liability, beginning	<u>1,136,861</u>
Total pension liability, ending	<u>1,103,643</u>
Fiduciary Net Position	
Employer contributions	75,544
Member contributions	-
Investment income net of investment expenses	-
Benefit payments	<u>(74,472)</u>
Administrative expenses	<u>(3,135)</u>
Net change in plan fiduciary net position	(2,063)
Fiduciary net position, beginning	<u>47,414</u>
Fiduciary net position, ending	<u>45,351</u>
Net pension liability, ending	<u>\$ 1,058,292</u>
Fiduciary net position as a % of total pension liability	4.11%
Covered payroll	NA
Net pension liability as a % of covered payroll	NA

Town of Brooklyn, Connecticut

Required Supplementary Information
LOSAP Pension Trust Fund
Annual Money-Weighted Rate of Return
Last 10 Fiscal Years or Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2014	0.00%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA
2006	NA
2005	NA

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Town of Brooklyn, Connecticut

Required Supplementary Information - Schedule of Funding Progress
Other Post Employment Benefits Trust Fund
Last Three Valuations

Valuation Date	Actuarial		Unfunded AAL	Funded Ratio	Covered Payroll	AAL/UAAL as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability (AAL)				
7/1/2013	\$ -	\$ 3,215,468	\$ 3,215,468	0.00%	\$ 5,314,388	60.50%
7/1/2010	\$ -	\$ 3,208,235	\$ 3,208,235	0.00%	\$ 5,411,142	59.29%
7/1/2008	\$ -	\$ 3,215,468	\$ 3,215,468	0.00%	\$ 5,314,388	60.50%

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Town of Brooklyn, Connecticut

Required Supplementary Information - Schedule of Employer Contributions
Other Post Employment Benefits Trust Fund
Last Six Fiscal years

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 218,400	\$ 3,253	1.49%
6/30/2013	\$ 321,066	\$ 15,840	4.93%
6/30/2012	\$ 315,717	\$ 12,300	3.90%
6/30/2011	\$ 296,204	\$ 54,280	18.33%
6/30/2010	\$ 291,826	\$ 54,280	18.60%
6/30/2009	\$ 287,617	\$ 54,280	18.87%

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Town of Brooklyn, Connecticut

Combining Balance Sheet
Special Revenue Funds
June 30, 2014

	Small Cities Block Grant Fund	Town Aid Road Fund	Special Education Grants Fund	Cafeteria Fund	Recreation Fund	Open Space Land Acquisition Fund	Memorial Scholarship Fund	Total Special Revenue Funds
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ -	\$ 25,178	\$ -	\$ 46,358	\$ -	\$ 71,536
Investments	-	-	-	-	-	56,175	25,464	81,639
Other receivables								
Accounts	-	-	-	-	594	-	-	594
Loans	277,655	-	-	-	-	-	-	277,655
Intergovernmental	-	-	17,525	-	-	-	-	17,525
Due from other funds	-	147,575	50,805	-	43,106	-	-	241,486
Inventories	-	-	-	3,100	-	-	-	3,100
Total Assets	<u>\$ 277,655</u>	<u>\$ 147,575</u>	<u>\$ 68,330</u>	<u>\$ 28,278</u>	<u>\$ 43,700</u>	<u>\$ 102,533</u>	<u>\$ 25,464</u>	<u>\$ 693,535</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Due to other funds	\$ -	\$ 146,477	\$ 13,793	\$ -	\$ -	\$ -	\$ 500	\$ 160,770
Unearned revenues	-	-	37,673	-	-	-	-	37,673
Total Liabilities	<u>-</u>	<u>146,477</u>	<u>51,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>198,443</u>
Fund Balances								
Nonspendable	-	-	-	3,100	-	-	-	3,100
Restricted	277,655	1,098	16,864	-	17,020	102,533	24,964	440,134
Assigned	-	-	-	25,178	26,680	-	-	51,858
Total Fund Balances	<u>277,655</u>	<u>1,098</u>	<u>16,864</u>	<u>28,278</u>	<u>43,700</u>	<u>102,533</u>	<u>24,964</u>	<u>495,092</u>
Total Liabilities and Fund Balances	<u>\$ 277,655</u>	<u>\$ 147,575</u>	<u>\$ 68,330</u>	<u>\$ 28,278</u>	<u>\$ 43,700</u>	<u>\$ 102,533</u>	<u>\$ 25,464</u>	<u>\$ 693,535</u>

Town of Brooklyn, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 Year Ended June 30, 2014

	Small Cities Block Grant Fund	Town Aid Road Fund	Special Education Grants Fund	Cafeteria Fund	Recreation Fund	Open Space Land Acquisition Fund	Memorial Scholarship Fund	Total Special Revenue Funds
REVENUES								
Intergovernmental	\$ -	\$ 241,683	\$ 699,652	\$ 165,454	\$ -	\$ -	\$ -	\$ 1,106,789
Miscellaneous	-	-	-	140,937	70,882	10,000	-	221,819
Investment Earnings	-	-	-	-	-	19	152	171
Total Revenues	-	241,683	699,652	306,391	70,882	10,019	152	1,328,779
EXPENDITURES								
Current Expenditures								
Public Works	-	257,846	-	-	-	-	-	257,846
Civic and Cultural	-	-	-	-	65,758	-	-	65,758
Education	-	-	689,928	306,854	-	-	-	996,782
Total Expenditures	-	257,846	689,928	306,854	65,758	-	-	1,320,386
Excess (Deficiency) of Revenues Over Expenditures	-	(16,163)	9,724	(463)	5,124	10,019	152	8,393
OTHER FINANCING SOURCES								
Transfers in	-	-	-	-	-	8,192	-	8,192
Net Change in Fund Balance	-	(16,163)	9,724	(463)	5,124	18,211	152	16,585
Fund Balances - Beginning of Year	277,655	17,261	7,140	28,741	38,576	84,322	24,812	478,507
Fund Balances - End of Year	\$ 277,655	\$ 1,098	\$ 16,864	\$ 28,278	\$ 43,700	\$ 102,533	\$ 24,964	\$ 495,092

Town of Brooklyn, Connecticut

Combining Statement of Net Position
Pension Trust Funds
June 30, 2014

	Town Pension Trust Fund	LOSAP Pension Trust Fund	Total Pension Trust Funds
ASSETS			
Cash and equivalents	\$ -	\$ 45,375	\$ 45,375
Investments, at fair value	<u>3,899,533</u>	<u>-</u>	<u>3,899,533</u>
Total Assets	<u>3,899,533</u>	<u>45,375</u>	<u>3,944,908</u>
LIABILITIES			
Due to others	<u>-</u>	<u>100</u>	<u>100</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 3,899,533</u>	<u>\$ 45,275</u>	<u>\$ 3,944,808</u>

Town of Brooklyn, Connecticut

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2014

	Town Pension Trust Fund	LOSAP Pension Trust Fund	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	<u>\$ 251,168</u>	<u>\$ 75,544</u>	<u>\$ 326,712</u>
Investment Income			
Net change in fair value of investments	335,534	-	335,534
Interest and dividends	<u>233,355</u>	<u>25</u>	<u>233,380</u>
Total Investment Income	<u>568,889</u>	<u>25</u>	<u>568,914</u>
Total Additions	<u>820,057</u>	<u>75,569</u>	<u>895,626</u>
DEDUCTIONS			
Pension benefits	207,181	76,920	284,101
Administrative fees	<u>29,246</u>	<u>688</u>	<u>29,934</u>
Total Deductions	<u>236,427</u>	<u>77,608</u>	<u>314,035</u>
Change in Net Position	583,630	(2,039)	581,591
Net Position - Beginning of Year	<u>3,315,903</u>	<u>47,314</u>	<u>3,363,217</u>
Net Position - End of Year	<u>\$ 3,899,533</u>	<u>\$ 45,275</u>	<u>\$ 3,944,808</u>

See Independent Auditors' Report

Town of Brooklyn, Connecticut

Combining Statement of Net Position
 Agency Funds
 Year Ended June 30, 2014

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Student Activity Fund				
Assets				
Cash and equivalents	\$ 18,613	\$ 99,512	\$ (106,228)	\$ 11,897
Investments, at fair value	23,167	71	-	23,238
Due from other funds	<u>15,940</u>	<u>-</u>	<u>-</u>	<u>15,940</u>
Total assets	<u>\$ 57,720</u>	<u>\$ 99,583</u>	<u>\$ (106,228)</u>	<u>\$ 51,075</u>
Liabilities				
Due to students	<u>\$ 57,720</u>	<u>\$ 99,583</u>	<u>\$ (106,228)</u>	<u>\$ 51,075</u>

Town of Brooklyn, Connecticut

Report of the Property Tax Collector
Year Ended June 30, 2014

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspende	Net Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens	Total		
2012	\$ -	\$12,418,216	\$10,530	\$ 25,923	\$12,402,823	\$12,214,086	\$ 49,053	\$24,807	\$12,287,946	\$ -	\$ 188,737
2011	262,765	-	316	2,816	260,265	189,025	37,569	9,595	236,189	-	71,240
2010	119,049	-	-	1,070	117,979	70,129	25,894	2,360	98,383	-	47,850
2009	86,439	-	313	234	86,518	47,848	26,220	1,289	75,357	26,527	12,143
2008	75,314	-	103	137	75,280	37,685	27,656	1,217	66,558	26,857	10,738
2007	39,195	-	198	-	39,393	23,488	17,275	412	41,175	7,814	8,091
2006	13,468	-	317	-	13,785	8,105	8,113	150	16,368	913	4,767
2005	8,946	-	370	-	9,316	4,810	6,480	72	11,362	898	3,608
2004	11,346	-	231	-	11,577	4,961	7,728	120	12,809	1,906	4,710
2003	5,814	-	183	-	5,997	2,269	3,796	24	6,089	-	3,728
2002	3,839	-	774	-	4,613	-	-	-	-	1,200	3,413
2001	7,380	-	72	51	7,401	2	4	-	6	3,776	3,623
2000	4,149	-	60	-	4,209	-	-	-	-	2,880	1,329
1999	1,557	-	96	-	1,653	-	-	-	-	175	1,478
1998	3,582	-	9	-	3,591	13	36	-	49	2,475	1,103
	<u>\$ 642,843</u>	<u>\$12,418,216</u>	<u>\$13,572</u>	<u>\$ 30,231</u>	<u>\$13,044,400</u>	<u>\$12,602,421</u>	<u>\$209,824</u>	<u>\$40,046</u>	<u>\$12,852,291</u>	<u>\$ 75,421</u>	<u>\$ 366,558</u>

Town of Brooklyn, Connecticut

Statement of Changes in Fund Balance by project - Capital Nonrecurring Fund
 Year Ended June 30, 2014

	Beginning Balance	Original Budget Additions	Debt Financed	Additions (Revenues Posted)	Reductions (Expenditures Posted)	Ending Fund Balance	Eliminating Deficits per GASB 54	Reported Fund Balance
Restricted Fund Balance:								
General government								
JAG grant	\$ 2,272	\$ -	-	-	-	\$ 2,272	\$ -	\$ 2,272
Energy grant	(14,249)	-	-	-	-	(14,249)	14,249	-
Homeland security	-	-	-	1,292	(1,292)	-	-	-
Transfer station	(16,095)	-	-	-	-	(16,095)	16,095	-
Highway								
Allen Hill Road, South Street	(500,000)	-	-	500,000	-	-	-	-
ICE program	50	-	-	-	-	50	-	50
Education								
LOCIP - IMAC Lab	-	-	-	-	(19,000)	(19,000)	19,000	-
Recreation								
Riverside Park Phase II	(260,941)	-	-	-	(12,341)	(273,282)	273,282	-
	<u>(788,963)</u>	<u>-</u>	<u>-</u>	<u>501,292</u>	<u>(32,633)</u>	<u>(320,304)</u>	<u>322,626</u>	<u>2,322</u>
Committed Fund Balance:								
General Government								
Building office software	10,000	-	-	-	-	10,000	-	10,000
Building office software - 2nd Year	-	23,000	-	-	(16,540)	6,460	-	6,460
Painting of town hall	-	26,000	-	-	(25,445)	555	-	555
Server	-	15,000	-	-	-	15,000	-	15,000
EB fire truck	260	-	-	-	-	260	-	260
Community center improvements	1,034	-	-	-	-	1,034	-	1,034
Garage & dog pound roof	795	-	-	-	-	795	-	795
Transfer Station canopies	(37,332)	-	-	-	-	(37,332)	37,332	-
Transfer Station-paving	-	-	-	-	-	-	-	-
Highway								
Chipper	7,064	-	-	-	-	7,064	-	7,064
Highway garage	(3,732)	-	-	-	-	(3,732)	3,732	-
Highway truck	8,682	-	-	-	-	8,682	-	8,682
New truck body	-	36,000	-	-	(30,138)	5,862	-	5,862
Payloader	346	-	-	-	-	346	-	346
Salt shed roof	-	15,000	-	-	(13,900)	1,100	-	1,100
Sand control units	7,400	-	-	-	-	7,400	-	7,400

(Continued)

Town of Brooklyn, Connecticut

Statement of Changes in Fund Balance by project - Capital Nonrecurring Fund
 Year Ended June 30, 2014

	Beginning Balance	Original Budget Additions	Debt Financed	Additions (Revenues Posted)	Reductions (Expenditures Posted)	Ending Fund Balance	Eliminating Deficits per GASB 54	Reported Fund Balance
Recreation						-	-	
Disc golf	5,065	-	-	-	-	5,065	-	5,065
2 Way radios	-	7,500	-	-	(6,810)	690	-	690
Gazebo	-	30,000	-	-	(18,217)	11,783	-	11,783
Lawn equipment upgrade	3,621	-	-	-	-	3,621	-	3,621
Exmark mower	10,911	-	-	-	(5,000)	5,911	-	5,911
Baseball Fields - Riverside Park	-	-	-	-	(7,856)	(7,856)	7,856	-
Master Plan-Prince Hill Park	2,250	-	-	-	(1,480)	770	-	770
Education								
BMS architect and engineering evaluation	15,000	-	-	-	-	15,000	-	15,000
BMS cabinet heater	7,000	-	-	-	-	7,000	-	7,000
BMS fuel tank monitor	1,527	-	-	-	-	1,527	-	1,527
BMS hot water heater	-	12,000	-	-	-	12,000	-	12,000
Computer server	(103)	-	-	-	-	(103)	103	-
Computers	1,136	-	-	-	-	1,136	-	1,136
Imac lab for BES	-	19,500	-	-	(18,065)	1,435	-	1,435
2 File servers	-	9,000	-	-	(7,456)	1,544	-	1,544
Fire alarm system	-	-	-	-	(12,045)	(12,045)	12,045	-
Tablets	-	12,600	-	-	(8,858)	3,742	-	3,742
School north wall repair	(774,916)	-	-	888,571	(36,092)	77,563	-	77,563
Asbestos removal	14,592	-	-	-	-	14,592	-	14,592
Carpeting	(21,124)	-	-	-	-	(21,124)	21,124	-
Dri-Vit repair	688	-	-	-	-	688	-	688
Elementary school chimney	481	-	-	-	-	481	-	481
Kitchen equipment replacement	3,952	-	-	-	-	3,952	-	3,952
Tractor	30	-	-	-	-	30	-	30
	<u>(735,373)</u>	<u>205,600</u>	<u>-</u>	<u>888,571</u>	<u>(207,902)</u>	<u>150,896</u>	<u>82,192</u>	<u>233,088</u>
Unassigned Fund Balance:								
Unassigned/debt transactions	(64,047)	-	3,694,327	92,166	(3,764,176)	(41,730)	(404,818)	(446,548)
Total Fund Balance	<u>\$(1,588,383)</u>	<u>\$205,600</u>	<u>\$3,694,327</u>	<u>\$1,482,029</u>	<u>\$(4,004,711)</u>	<u>\$(211,138)</u>	<u>\$-</u>	<u>\$(211,138)</u>

**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**

**The Board of Finance
Town of Brooklyn, 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, each major fund, and the aggregate remaining fund information of the Town of Brooklyn, Connecticut ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated **report date**.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items (identified as MW-08-11) to be material weaknesses.

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 dated **Report Date**.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purposes.

Report date

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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 Brooklyn, Connecticut**

Report on Compliance for Each Major State Program

We have audited the Town of Brooklyn, 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, 2014. 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, 2014.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated **Report Date**, 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.

Report Date

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Town of Brooklyn, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	1,209
Connecticard Payments	11000-CSL66051-17010	21
Department of Energy and Environmental Protection		
Clean Air Account Fund	11000-DEP43540-12490	10
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	257,845
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	3,884
Office of Policy and Management		
Reimburse Towns - Tax Loss on State Property	11000-OPM20600-17004	142,638
Reimburse Property Tax - Disability Exemption	11000-OPM20600-17011	838
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	49,836
Property Tax Relief for Elderly Homeowners - Freeze	11000-OPM20600-17021	1,460
Property Tax Relief for Veterans	11000-OPM20600-17024	5,069
Municipal Purposes and Projects	12052-OPM20600-43587	9,761
Office of Early Childhood		
School Readiness and Child Care	11000-OEC64840-12113	107,000
Department of Education		
Child Nutrition State Match	11000-SDE64370-16211	4,112
Health Foods Initiative	11000-SDE64370-16212	8,416
Adult Education	11000-SDE64370-17030	34,860
School Breakfast Program	11000-SDE64370-17046	6,448
Magnet Schools	11000-SDE64370-17057	21,749
High Quality Schools Start-Up	12052-SDE64370-43538	94,443
		749,599
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64000-17041	7,094,411
Public School Transportation	11000-SDE64000-17027	129,086
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	388,246
Department of Children and Families		
School Construction Grants	13009-DCS28000-40896	23,898
School Construction Grants	13009-DCS28000-40901	1,283,650
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	79,468
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	245,187
		9,243,946
Total exempt programs		9,243,946
Total State Financial Assistance		9,993,545

See Accountants' Report

Town of Brooklyn, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Brooklyn, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town 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 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 Brooklyn, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

MW-08-11 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management’s continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Brooklyn, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: The Town of Brooklyn, Connecticut’s Board of Finance has been working on this. They have had each department write up manuals of their current procedures. The Board of Finance is in the process of reviewing the manuals, assessing risk and adding internal controls where needed.

Town of Brooklyn, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

State Financial Assistance

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

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

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation Town Aid Road	13033-DOT57131-43459	\$257,845
Department of Early Childhood School Readiness and Child Care	11000-OEC43153-40531	\$107,000
Department of Education High Quality Schools Start-Up	12052-SDE64370-435370	\$94,443

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

Town of Brooklyn, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section II - Financial Statement Findings

MW-08-11 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Brooklyn, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: The Town of Brooklyn, Connecticut's Board of Finance has been working on this. They have had each department write up manuals of their current procedures. The Board of Finance is in the process of reviewing the manuals, assessing risk and adding internal controls where needed.

Section III - State Financial Assistance Findings and Questioned Costs

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

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Brooklyn, Connecticut's ("Town") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget's ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. 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 the Town's 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 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, 2014.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2014, and have issued our report thereon dated **Report Date**, which contained unqualified opinions on these 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.

Report Date

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Town of Brooklyn, Connecticut

Schedule of Expenditures of Federal Assistance
For the Year Ended June 30, 2014

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Agriculture			
Pass-Through programs from:			
Connecticut State Department of Education			
Child Nutrition Cluster			
National School Lunch	10.555	12060-SDE64370-20560	77,309
School Breakfast Program	10.553	12060-SDE64370-20508	22,793
Total U.S. Department of Agriculture			<u>100,102</u>
U.S. Department of Transportation:			
Pass-Through programs from:			
Connecticut Department of Transportation			
Alcohol Open Container Requirements	20.607	12062-DOT57343-22091	9,680
Total U.S. Department of Transportation			<u>9,680</u>
Special Education Cluster (IDEA)			
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	219,991
IDEA, Part B, Section 619, Preschool - Current	84.173	12060-SDE64370-20983	10,542
Total Special Education Cluster (IDEA)			<u>230,533</u>
Title I - Current	84.010	12060-SDE64370-20679	153,935
Title II - Part A, Improving Teacher Quality - Current	84.367	12060-SDE64370-20858	42,342
Total U.S. Department of Education			<u>426,810</u>
Total Federal Financial Assistance			<u>\$ 536,592</u>

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Town of Brooklyn, Connecticut

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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, 2014. 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 Brooklyn, Connecticut's ("Town") basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements 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 Brooklyn, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
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:

MW-08-1 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

Town of Brooklyn, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued):

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management’s continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Brooklyn, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: The Town of Brooklyn, Connecticut’s Board of Finance has been working on this. They have had each department write up manuals of their current procedures. The Board of Finance is in the process of reviewing the manuals, assessing risk and adding internal controls where needed.

Section III - Federal Financial Assistance Findings And Questioned Costs

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

Town of Brooklyn, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

I. Summary Schedule of Prior Audit Findings

Material Weakness in Internal Control

MW-08-1 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework.

Current Status: The Town of Brooklyn, Connecticut's Board of Finance has been working on this. They have had each department write up manuals of their current procedures. The Board of Finance is in the process of reviewing the manuals, assessing risk and adding internal controls where needed.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

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