

**TOWN OF MONTVILLE,
CONNECTICUT**

**Financial Statements
and Supplemental Schedules**

**For The Year Ended
June 30, 2011**



Certified Public Accountants & Business Advisors

**TOWN OF MONTVILLE, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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**TOWN OF MONTVILLE, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and schedule of funding progress on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 as a whole.

CCR LLP

Glastonbury, Connecticut
December 30, 2011

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Management's Discussion and Analysis

TOWN OF MONTVILLE, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Montville, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$116,702,424 (net assets). Of this amount, \$9,048,926 represents unrestricted net assets. Of this amount, \$3,132,066 represents unrestricted net assets attributed to the operations of the Town's Sewer and Water Departments (business-type activities).
- The Town's total net assets increased by \$1,854,158 during the current fiscal year, which consisted of a current year increase of \$2,400,889 relating to the Town's governmental activities offset by a decrease of \$546,731 relating to the Town's business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,488,567, a current year decrease of \$1,629,429 in comparison with the prior year. Of this amount, there was a current year decrease of \$1,015,582 in the General Fund, a decrease of \$263,813 in the Bonded Projects Fund, and a current year decrease of \$350,034 in the other governmental funds.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$3,072,260 or 5.2% of total general fund expenditures and net other financing sources. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 0.6 months of general fund operating expenditures and transfers out.
- The Town's total long-term bonded debt (governmental and business-type activities combined) decreased by \$3,185,000 or 7.4% during the current fiscal year as a result of the scheduled principal repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 19 - 24 of this report.

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 25 - 27 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 55 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules which can be found on pages 56 and 57 - 79 of this report, respectively.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets of the Town (governmental and business type activities combined) totaled \$116,702,424 and \$114,848,266 as of June 30, 2011 and 2010 and are summarized as follows:

**Town of Montville, Connecticut
Net Assets
June 30, 2011**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 12,363,283	\$ 3,611,463	\$ 15,974,746
Capital assets	92,027,760	57,889,634	149,917,394
Total assets	<u>104,391,043</u>	<u>61,501,097</u>	<u>165,892,140</u>
Other liabilities	3,149,112	430,282	3,579,394
Long-term liabilities	41,363,933	4,246,389	45,610,322
Total liabilities	<u>44,513,045</u>	<u>4,676,671</u>	<u>49,189,716</u>
Net assets:			
Invested in capital assets, net of related debt	53,880,685	53,692,360	107,573,045
Restricted	80,453	-	80,453
Unrestricted	5,916,860	3,132,066	9,048,926
Total net assets	<u>\$ 59,877,998</u>	<u>\$ 56,824,426</u>	<u>\$ 116,702,424</u>

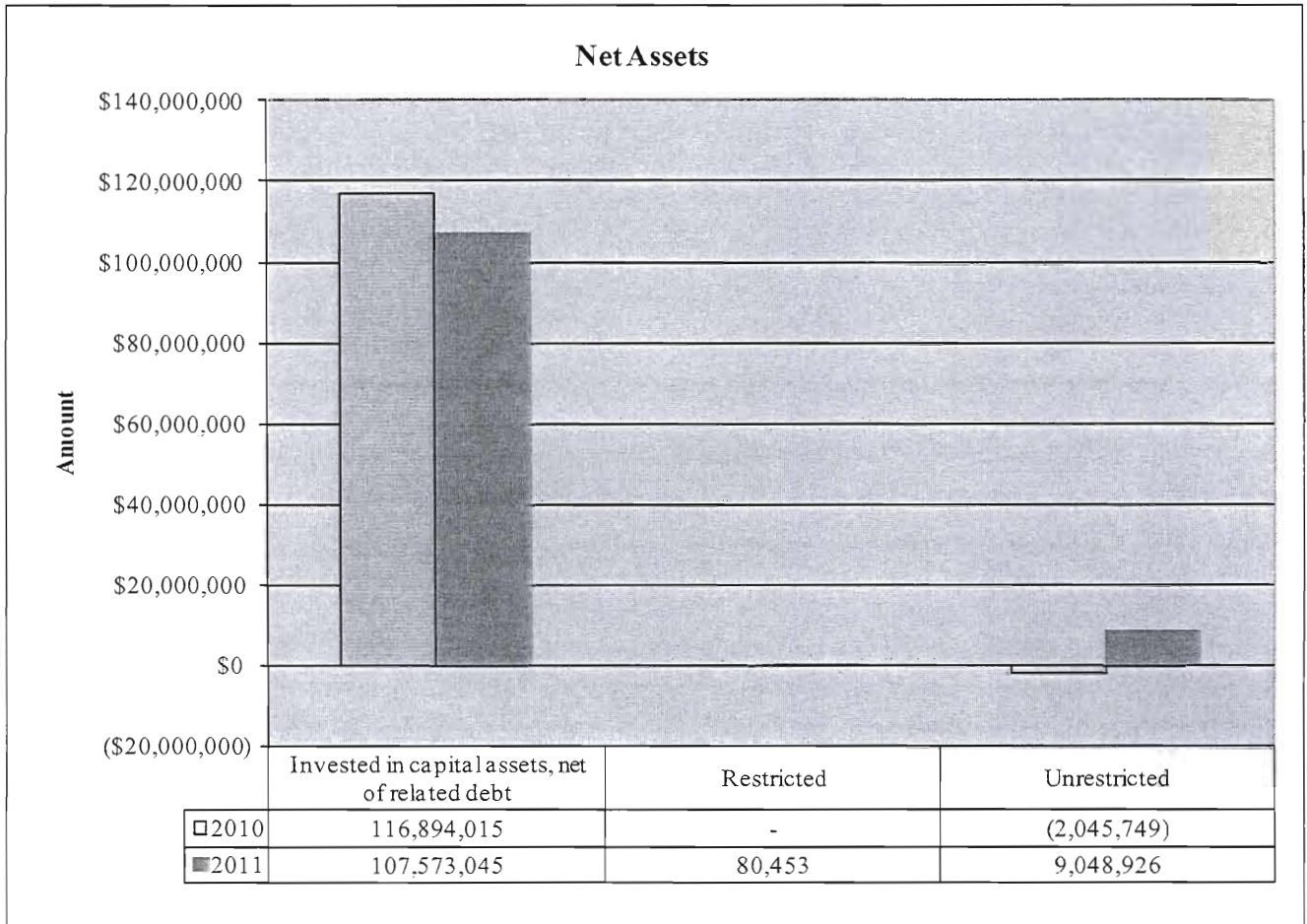
**Town of Montville, Connecticut
Net Assets
June 30, 2010 (as restated)**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 13,314,912	\$ 4,534,023	\$ 17,848,935
Capital assets	91,909,115	58,992,719	150,901,834
Total assets	<u>105,224,027</u>	<u>63,526,742</u>	<u>168,750,769</u>
Other liabilities	2,966,956	1,327,447	4,294,403
Long-term liabilities	44,779,962	4,828,138	49,608,100
Total liabilities	<u>47,746,918</u>	<u>6,155,585</u>	<u>53,902,503</u>
Net assets:			
Invested in capital assets, net of related debt	62,661,415	54,232,600	116,894,015
Unrestricted	(5,184,306)	3,138,557	(2,045,749)
Total net assets	<u>\$ 57,477,109</u>	<u>\$ 57,371,157</u>	<u>\$ 114,848,266</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)



As of June 30, 2011, 92.2% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

The remainder of the Town's net assets are considered unrestricted.

Overall, net assets increased by current year net income of \$1,854,158 in comparison with the prior year.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets

Changes in net assets for the years ended June 30, 2011 and 2010 are as follows:

Town of Montville, Connecticut Changes in Net Assets For The Year Ended June 30, 2011			
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 3,859,990	\$ 5,679,929	\$ 9,539,919
Operating grants and contributions	19,788,918	263,272	20,052,190
Capital grants and contributions	2,727,907	-	2,727,907
General revenues:			
Property taxes, levied for general purposes	34,309,252	-	34,309,252
Grants and contributions not restricted to specific programs	3,121,870	-	3,121,870
Income from investments	45,906	1,431	47,337
Total revenues	63,853,843	5,944,632	69,798,475
Expenses			
General government	7,398,178	-	7,398,178
Public works	4,224,978	-	4,224,978
Public safety	3,897,422	-	3,897,422
Health and welfare	204,940	-	204,940
Recreation and leisure	315,692	-	315,692
Education	43,596,142	-	43,596,142
Interest on long-term debt	1,598,161	-	1,598,161
Sewer department	-	5,383,165	5,383,165
Water department	-	1,325,639	1,325,639
Total expenses	61,235,513	6,708,804	67,944,317
Change in net assets before transfers	2,618,330	(764,172)	1,854,158
Transfers	(217,441)	217,441	-
Change in net assets	2,400,889	(546,731)	1,854,158
Net assets, beginning	57,623,208	57,184,101	114,807,309
Adjustments (see Notes 13 and 14)	(146,099)	187,056	40,957
Net assets - beginning, as adjusted	57,477,109	57,371,157	114,848,266
Net assets, ending	\$ 59,877,998	\$ 56,824,426	\$ 116,702,424

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets (Continued)

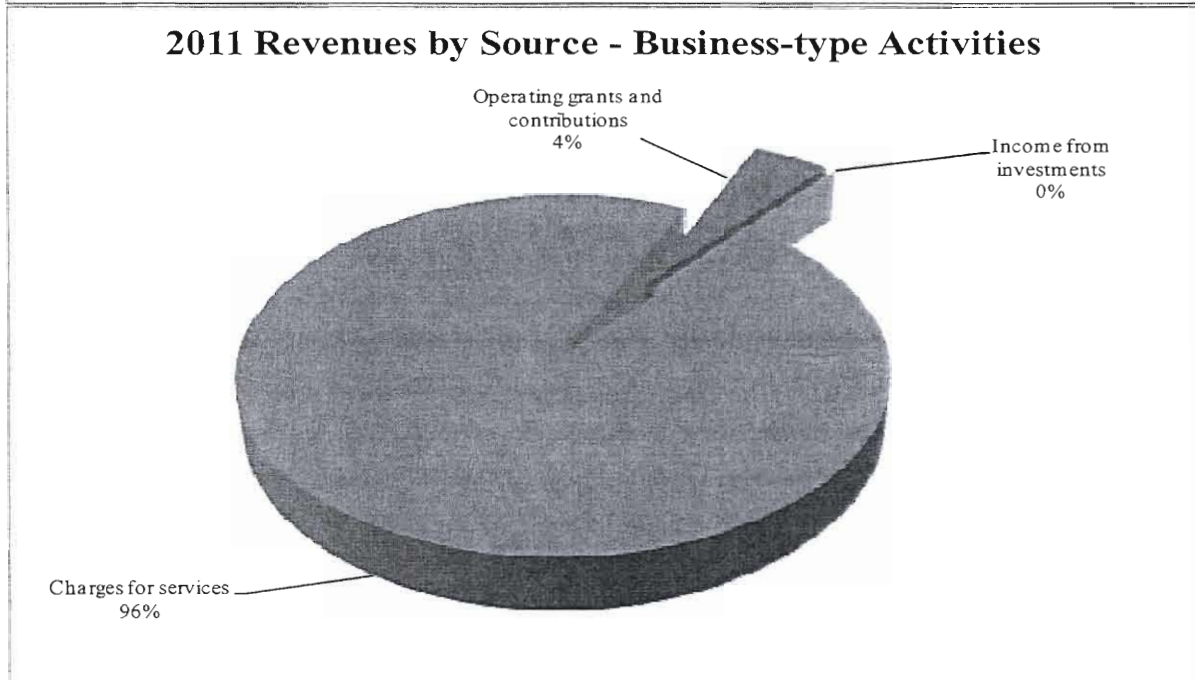
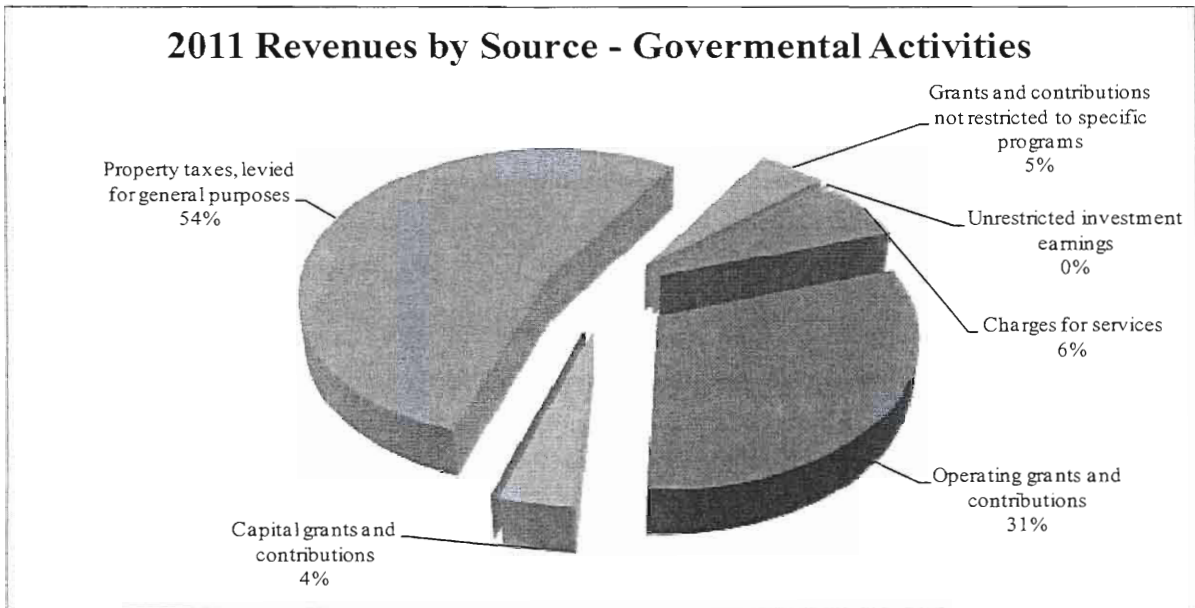
**Town of Montville, Connecticut
Changes in Net Assets
For The Year Ended June 30, 2010**

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 3,091,686	\$ 8,006,955	\$ 11,098,641
Operating grants and contributions	18,332,056	-	18,332,056
Capital grants and contributions	5,112,852	-	5,112,852
General revenues:			
Property taxes, levied for general purposes	32,292,145	-	32,292,145
Grants and contributions not restricted to specific programs	31,686	-	31,686
Income from investments	515,775	1,910	517,685
Total revenues	<u>59,376,200</u>	<u>8,008,865</u>	<u>67,385,065</u>
Expenses			
General government	7,652,337	-	7,652,337
Social Services	58,361	-	58,361
Public works	4,665,993	-	4,665,993
Public safety	3,263,913	-	3,263,913
Health and welfare	153,686	-	153,686
Recreation and leisure	1,277,231	-	1,277,231
Education	40,365,406	-	40,365,406
Interest on long-term debt	1,499,083	-	1,499,083
Sewer department	-	6,734,950	6,734,950
Water department	-	1,172,259	1,172,259
Total expenses	<u>58,936,010</u>	<u>7,907,209</u>	<u>66,843,219</u>
Change in net assets before transfers	440,190	101,656	541,846
Transfers	22,500	(22,500)	-
Change in net assets	462,690	79,156	541,846
Net assets, beginning	57,160,518	57,104,945	114,265,463
Net assets, ending	<u>\$ 57,623,208</u>	<u>\$ 57,184,101</u>	<u>\$ 114,807,309</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

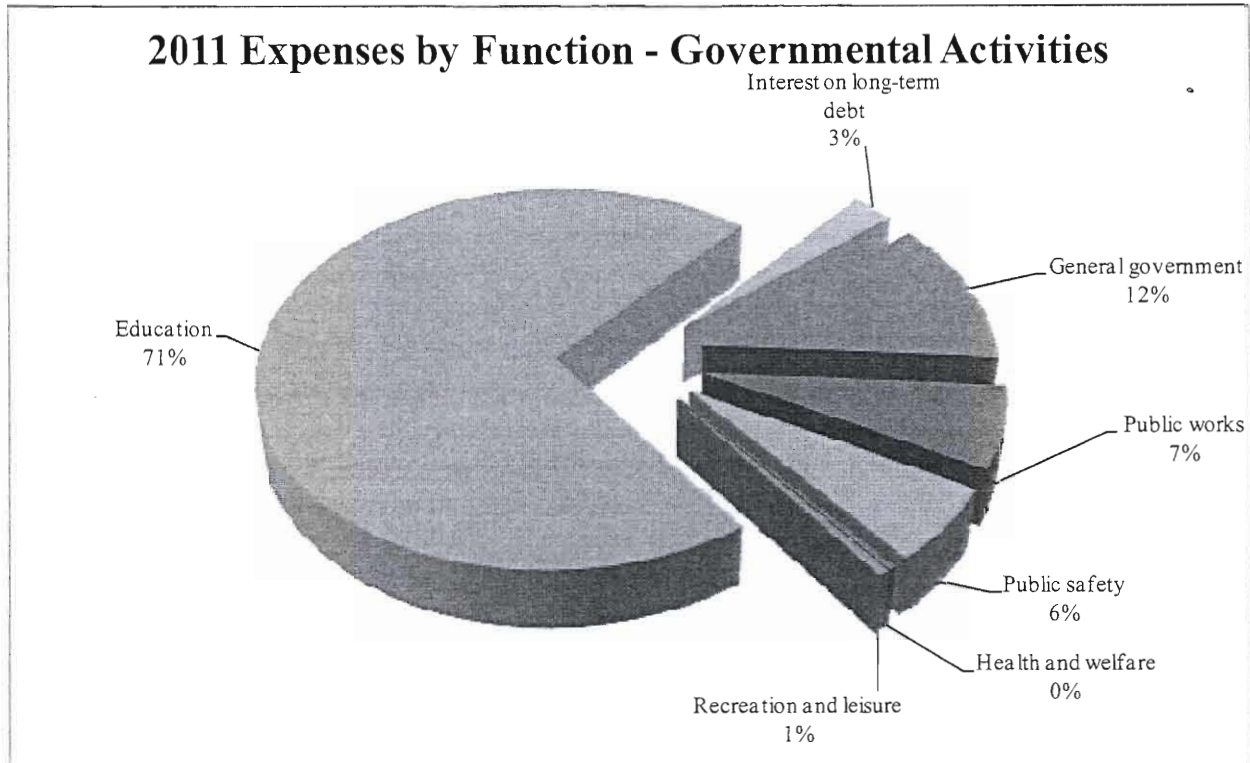
Change in Net Assets (Continued)



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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets (Continued)



Governmental Activities

Governmental activities increased the Town's net assets by a current year change of \$2,400,889. This increase is mainly attributable an increase in property tax revenue collected in the current year.

Business-type Activities

Business-type activities decreased the Town's net assets by a current year change of \$546,731. The current year decrease was primarily caused by a \$2,064,233 decrease in total revenues, which was offset by a \$1,351,785 decrease in current year sewer department expenditures and a net transfer in of \$217,441 from the General fund.

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,488,567.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,072,260. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 5.2% of total general fund expenditures and transfers out. Expressed another way, unassigned fund balance for the general fund was sufficient to cover 0.6 months of general fund operating expenditures and transfers out.

The fund balance of the Town's general fund decreased by \$1,015,582 during the current fiscal year, which was primarily due to certain unfavorable revenue variances, and a general increase in budgeted expenditures.

Bonded Projects Fund

The fund balance of the Bonded Projects Fund decreased by \$263,813 during the current fiscal year. This decrease was primarily due to expenditures incurred for various ongoing capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was a decrease of \$748,094. Expenditures were \$86,259 less than budgeted, and total budgetary revenues were \$369,457 less than expected due primarily to unfavorable variances in property taxes, charges for services and use of town's money. During the year ended June 30, 2011, the Town Council approved additional appropriations of \$511,577 from fund balance.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2011 totaled \$149,917,394 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, distribution and collection systems, machinery and equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$984,440 or .7%. This decrease consisted primarily of capital asset additions of \$2,667,045, offset by depreciation expense of \$3,579,431. Major capital asset events during the current fiscal year included the following:

- Outlays for construction in progress and land totaling \$2,233,098, for various ongoing capital projects.
- Outlays for various machinery and equipment and vehicles totaling \$410,324, primarily to capitalize expenditures related to the high school renovation/expansion project.

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

**Town of Montville, Connecticut
Capital Assets, Net
June 30, 2011**

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,947,288	\$ 1,127,031	\$ 3,074,319
Construction in progress	1,529,349	385,859	1,915,208
Land improvements	306,470	-	306,470
Buildings and improvements	74,628,422	13,294,745	87,923,167
Infrastructure	9,509,086	-	9,509,086
Machinery and equipment	4,107,145	6,241,934	10,349,079
Distribution and collection systems	-	36,840,065	36,840,065
Totals	<u>\$ 92,027,760</u>	<u>\$ 57,889,634</u>	<u>\$ 149,917,394</u>

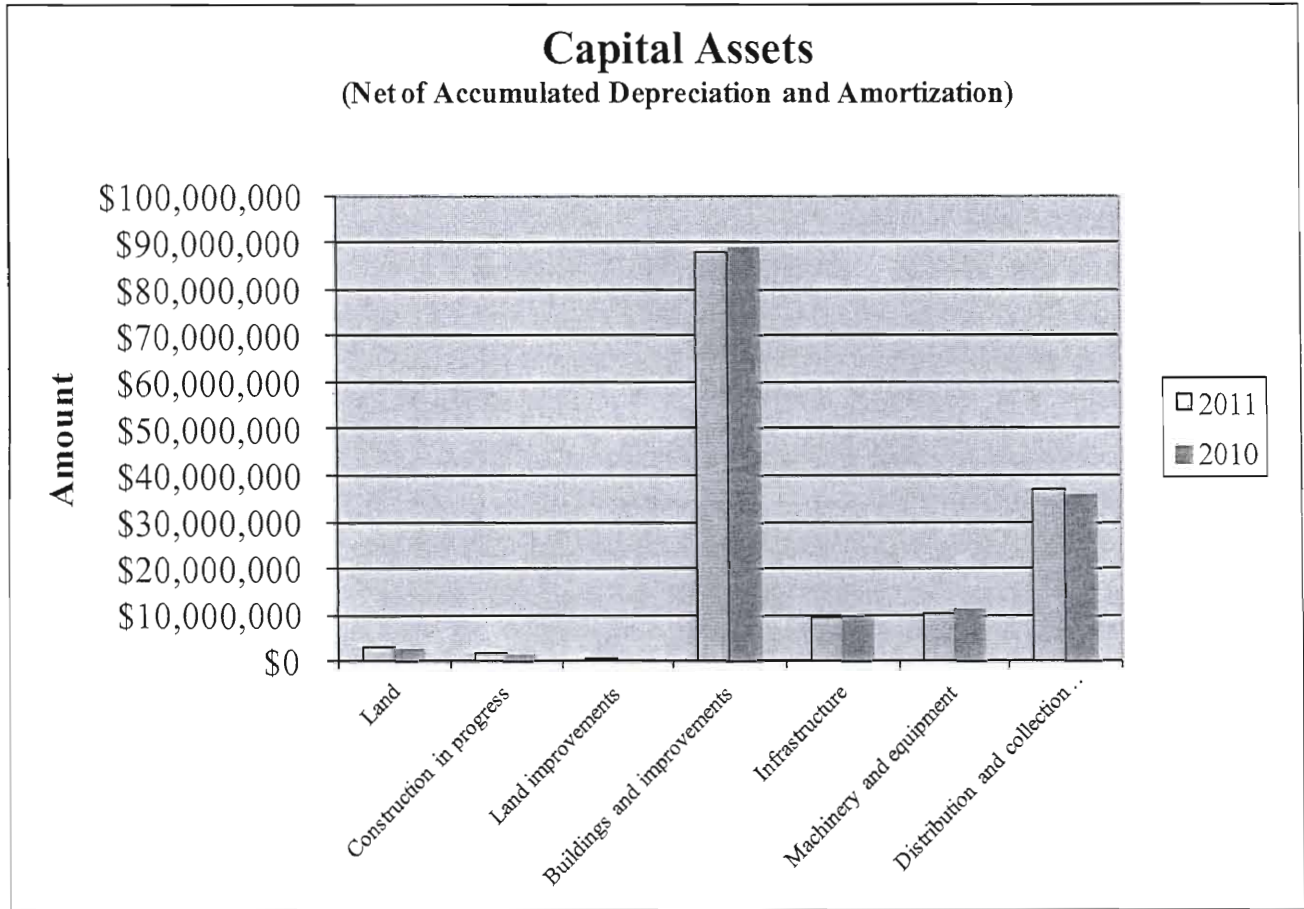
**Town of Montville, Connecticut
Capital Assets, Net
June 30, 2010**

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,693,438	\$ 1,127,031	\$ 2,820,469
Construction in progress	-	1,617,915	1,617,915
Land improvements	299,683	-	299,683
Buildings and improvements	75,603,331	13,662,281	89,265,612
Infrastructure	9,723,095	-	9,723,095
Machinery and equipment	4,589,568	6,656,560	11,246,128
Distribution and collection systems	-	35,928,932	35,928,932
Totals	<u>\$ 91,909,115</u>	<u>\$ 58,992,719</u>	<u>\$ 150,901,834</u>

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)



Additional information on the Town's capital assets can be found in Note 4 on pages 42 - 43 of this report.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$40,092,999. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$3,067,001 or 7% during the current fiscal year due primarily to scheduled principal repayments.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$238,411,558, which is significantly in excess of the Town's outstanding general obligation debt.

The following are tables of long-term bonded debt:

**Town of Montville, Connecticut
Long-term Debt
June 30, 2011**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 38,197,600	\$ 1,777,400	\$ 39,975,000
CL&P note payable	117,999	-	117,999
Totals	\$ 38,315,599	\$ 1,777,400	\$ 40,092,999

**Town of Montville, Connecticut
Long-term Debt
June 30, 2010**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 41,137,600	\$ 2,022,400	\$ 43,160,000
Totals	\$ 41,137,600	\$ 2,022,400	\$ 43,160,000

Additional information on the Town's long-term debt can be found in Note 7 on pages 45 - 48 of this report.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The unemployment rate for the Town is currently 9%. This compares favorably to the state's average unemployment rate of 9.1% and the national unemployment rate of 9.2%.
- Unassigned fund balance of the General Fund totals \$3,072,260 at June 30, 2011.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2012, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - Intergovernmental grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2012.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 6,788,004	\$ 1,209,067	\$ 7,997,071
Receivables:			
Property taxes, net of allowance for uncollectibles of \$307,000	1,108,891	-	1,108,891
Interest on property taxes and assessments, net of allowance for uncollectibles of \$257,000	539,812	-	539,812
Assessments and user charges receivable net allowance for uncollectibles of \$175,600	358,906	1,148,116	1,507,022
Connection fees	-	218,261	218,261
Intergovernmental	2,429,091	22,718	2,451,809
Other	133,197	191,661	324,858
Internal balances	855,510	(855,510)	-
Inventories	20,053	-	20,053
Noncurrent assets:			
Receivables:			
Connection fees	-	1,309,583	1,309,583
Other	-	354,361	354,361
Deferred charges on bond issuance, net	129,819	13,206	143,025
Capital assets:			
Non-depreciable	3,476,637	1,512,890	4,989,527
Depreciable, net	88,551,123	56,376,744	144,927,867
Total assets	<u>104,391,043</u>	<u>61,501,097</u>	<u>165,892,140</u>
LIABILITIES			
Accounts payable and accrued expenses	1,901,612	225,032	2,126,644
Accrued liabilities:			
Salaries and benefits payable	203,823	12,756	216,579
Accrued interest	466,687	32,038	498,725
Claims payable	495,998	-	495,998
Unearned revenue	80,992	160,456	241,448
Noncurrent liabilities:			
Due within one year:			
Bonds and note payable	2,745,177	355,000	3,100,177
Compensated absences	472,100	9,823	481,923
Contract payable	-	218,261	218,261
Early retirement incentive	135,000	-	135,000
Landfill postclosure	19,000	-	19,000
Due in more than one year:			
Bonds and note payable	35,531,717	1,547,256	37,078,973
Compensated absences	1,553,432	39,292	1,592,724
Contract payable	-	2,076,757	2,076,757
Early retirement incentive	129,507	-	129,507
Litigation and judgement	550,000	-	550,000
Landfill postclosure	228,000	-	228,000
Total liabilities	<u>44,513,045</u>	<u>4,676,671</u>	<u>49,189,716</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,880,685	53,692,360	107,573,045
Restricted for:			
Grant program purposes	78,529	-	78,529
Other purposes	1,924	-	1,924
Unrestricted	5,916,860	3,132,066	9,048,926
Total net assets	<u>\$ 59,877,998</u>	<u>\$ 56,824,426</u>	<u>\$ 116,702,424</u>

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 7,398,178	\$ 653,289	\$ 1,059,691	\$ 319,290	\$ (5,365,908)	\$ -	\$ (5,365,908)
Public safety	3,897,422	343,407	351,638	-	(3,202,377)	-	(3,202,377)
Public works	4,224,978	696,168	-	777,452	(2,751,358)	-	(2,751,358)
Health and welfare	204,940	-	-	-	(204,940)	-	(204,940)
Recreation and leisure	315,692	144,629	-	-	(171,063)	-	(171,063)
Education	43,596,142	2,022,497	18,377,589	1,631,165	(21,564,891)	-	(21,564,891)
Interest on long-term debt	1,598,161	-	-	-	(1,598,161)	-	(1,598,161)
Total governmental activities	61,235,513	3,859,990	19,788,918	2,727,907	(34,858,698)	-	(34,858,698)
Business-type activities:							
Sewer department	5,383,165	4,589,763	240,554	-	-	(552,848)	(552,848)
Water department	1,325,639	1,090,166	22,718	-	-	(212,755)	(212,755)
Total primary government	6,708,804	5,679,929	263,272	-	-	(765,603)	(765,603)
	\$ 67,944,317	\$ 9,539,919	\$ 20,052,190	\$ 2,727,907	(34,858,698)	(765,603)	(35,624,301)
General revenues:							
Property taxes, levied for general purposes					34,309,252	-	34,309,252
Grants and contributions not restricted to specific programs					3,121,870	-	3,121,870
Income from investments					45,906	1,431	47,337
Total general revenues					37,477,028	1,431	37,478,459
Transfers					(217,441)	217,441	-
Total general revenues and transfers					37,259,587	218,872	37,478,459
Change in net assets					2,400,889	(546,731)	1,854,158
Net assets - beginning, as originally reported					57,623,208	57,184,101	114,807,309
Adjustments (See Note 13)					(285,191)	-	(285,191)
Adjustments (See Note 14)					139,092	187,056	326,148
Total adjustments					(146,099)	187,056	40,957
Net assets - beginning, as adjusted					57,477,109	57,371,157	114,848,266
Net assets - ending					\$ 59,877,998	\$ 56,824,426	\$ 116,702,424

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

TOWN OF MONTVILLE, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Bonded Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,994,520	\$ -	\$ 575,272	\$ 6,569,792
Receivables:				
Property taxes, net of allowance for doubtful accounts of \$307,000	1,108,891	-	-	1,108,891
Interest on property taxes and assessments, net of allowance for uncollectibles of \$257,000	539,812	-	-	539,812
Assessments receivable	358,906	-	-	358,906
Intergovernmental	139,081	1,276,360	1,013,650	2,429,091
Other	128,085	-	5,112	133,197
Due from other funds	6,240,645	-	903,245	7,143,890
Advances to other funds	1,080,000	-	-	1,080,000
Inventories	-	-	20,053	20,053
Total assets	\$ 15,589,940	\$ 1,276,360	\$ 2,517,332	\$ 19,383,632
LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,392,754	\$ 138,375	\$ 370,483	\$ 1,901,612
Accrued liabilities:				
Salaries and benefits payable	203,823	-	-	203,823
Due to other funds	5,897,113	5,371,733	1,121,443	12,390,289
Unearned/deferred revenue	2,041,989	1,276,360	80,992	3,399,341
Total liabilities	9,535,679	6,786,468	1,572,918	17,895,065
Fund Balances (deficit):				
Nonspendable:				
Advances to other funds	1,080,000	-	-	1,080,000
Inventory	-	-	20,053	20,053
Restricted for:				
Grant program purposes	-	-	78,529	78,529
Exernal	-	-	1,924	1,924
Committed to:				
Education	-	-	259,046	259,046
Recreation	-	-	7,898	7,898
Capital projects	-	-	756,603	756,603
Other governmental purpose	-	-	180,697	180,697
Assigned to:				
Public safety	37,936	-	-	37,936
Education	1,820,229	-	-	1,820,229
Capital outlays	11,565	-	-	11,565
Other governmental purpose	32,271	-	-	32,271
Unassigned	3,072,260	(5,510,108)	(360,336)	(2,798,184)
Total fund balances (deficit)	6,054,261	(5,510,108)	944,414	1,488,567
Total liabilities and fund balances (deficit)	\$ 15,589,940	\$ 1,276,360	\$ 2,517,332	\$ 19,383,632

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

TOWN OF MONTVILLE, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances (deficit) for governmental funds	\$	1,488,567
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$	1,947,288
Construction in progress		1,529,349
Land improvements		975,678
Buildings and improvements		86,505,609
Machinery and equipment		11,191,953
Infrastructure		16,114,537
Less accumulated depreciation and amortization		<u>(26,236,654)</u>
Total capital assets, net		92,027,760
Bond issuance costs are recorded as expenditures in the governmental funds. However, these costs are deferred and amortized over the life of the related debt in the statement of net assets.		
Bond issuance costs		148,365
Less accumulated amortization		<u>(18,546)</u>
Total bond issuance costs, net		129,819
Some of the Town's taxes, assessments, interest and other receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		1,902,908
Long-term school construction grant receivables received from the State of Connecticut are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		1,415,441
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets.		
Accrued interest payable		(466,687)
Long-term debt:		
Bonds and note payable		(38,276,894)
Other long-term liabilities:		
Compensated absences		(2,025,532)
Early retirement incentive		(264,507)
Litigation judgements		(550,000)
Landfill closure		<u>(247,000)</u>
Total long-term liabilities		(41,830,620)
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
		<u>4,744,123</u>
Net assets of governmental activities	\$	<u><u>59,877,998</u></u>

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Bonded Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 34,028,260	\$ -	\$ -	\$ 34,028,260
Assessments	238,990	-	-	238,990
Intergovernmental	17,821,678	36,971	4,495,605	22,354,254
State on-behalf payments	2,902,430	-	-	2,902,430
Charges for services	2,107,417	-	550,218	2,657,635
Donations	-	-	61,416	61,416
Investment earnings	45,269	-	425	45,694
Total revenues	<u>57,144,044</u>	<u>36,971</u>	<u>5,107,664</u>	<u>62,288,679</u>
EXPENDITURES				
Current:				
General government	6,858,473	-	159,309	7,017,782
Public safety	3,638,881	-	-	3,638,881
Public works	3,354,684	-	125,127	3,479,811
Health and welfare	204,940	-	-	204,940
Recreation and leisure	248,587	-	18,286	266,873
Miscellaneous	308,700	-	-	308,700
State on-behalf payments	2,902,430	-	-	2,902,430
Education	36,398,150	-	2,649,616	39,047,766
Debt service:				
Principal payments	3,213,111	-	-	3,213,111
Interest and fiscal charges	1,382,538	-	122,844	1,505,382
Capital outlays	215,776	300,784	2,246,516	2,763,076
Total expenditures	<u>58,726,270</u>	<u>300,784</u>	<u>5,321,698</u>	<u>64,348,752</u>
Deficiency of revenues over expenditures	(1,582,226)	(263,813)	(214,034)	(2,060,073)
OTHER FINANCING SOURCES (USES)				
Proceeds from note payable	239,540	-	-	239,540
Sale of capital assets	24,086	-	-	24,086
Transfers in	333,018	-	30,000	363,018
Transfers out	(30,000)	-	(166,000)	(196,000)
Total other financing sources (uses)	<u>566,644</u>	<u>-</u>	<u>(136,000)</u>	<u>430,644</u>
Net change in fund balances	(1,015,582)	(263,813)	(350,034)	(1,629,429)
Fund balances (deficit) - beginning, as originally reported	<u>7,041,843</u>	<u>(5,246,295)</u>	<u>1,607,639</u>	<u>3,403,187</u>
Adjustments (see Note 13)	<u>28,000</u>	<u>-</u>	<u>(313,191)</u>	<u>(285,191)</u>
Fund balances (deficit) - beginning, as adjusted	<u>7,069,843</u>	<u>(5,246,295)</u>	<u>1,294,448</u>	<u>3,117,996</u>
Fund balances (deficit) - ending	<u>\$ 6,054,261</u>	<u>\$ (5,510,108)</u>	<u>\$ 944,414</u>	<u>\$ 1,488,567</u>

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

**TOWN OF MONTVILLE, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances (deficit) - total governmental funds \$ (1,629,429)

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

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

Expenditures for capital assets	\$ 1,949,583	
Depreciation and amortization expense	<u>(2,078,274)</u>	
Net adjustment		(128,691)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds. (71,954)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 319,290

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

Debt issued or incurred:		
Note payable	(239,540)	
Principal repayments:		
Bonds and note payable	3,061,541	
Obligations under capital lease	<u>151,570</u>	
Net adjustment		2,973,571

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2011

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

Accrued interest	\$	(80,741)	
Deferred charges		(9,273)	
Unamortized bond premium		41,335	
Unamortized gain on refunding		(44,100)	
Compensated absences		370,686	
Early retirement incentive		55,537	
Landfill postclosure		19,000	
	\$		352,444

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred revenues in governmental funds. This amount represents the change in deferred revenue. (298,041)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities. 883,699

Change in net assets of governmental activities \$ 2,400,889

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 34,556,381	\$ 34,556,381	\$ 34,028,260	\$ (528,121)
Intergovernmental	17,421,711	17,421,711	17,754,453	332,742
Charges for services	2,454,183	2,454,183	2,353,746	(100,437)
Use of town money	357,900	357,900	284,259	(73,641)
Total revenues	<u>54,790,175</u>	<u>54,790,175</u>	<u>54,420,718</u>	<u>(369,457)</u>
EXPENDITURES				
Current:				
General government	6,362,014	6,768,032	6,680,743	(87,289)
Public safety	3,440,720	3,562,612	3,617,590	54,978
Public works	3,330,298	3,330,073	3,366,071	35,998
Health and welfare	176,115	176,115	173,987	(2,128)
Social services	32,660	32,810	30,953	(1,857)
Recreation and leisure	232,572	246,514	246,781	267
Miscellaneous	64,350	64,350	308,700	244,350
Education	36,270,035	36,270,035	36,248,784	(21,251)
Capital outlay	524,500	524,500	215,776	(308,724)
Debt service:				
Principal payments	3,091,570	3,091,570	3,091,570	-
Interest and fiscal charges	1,413,341	1,383,141	1,382,538	(603)
Total expenditures	<u>54,938,175</u>	<u>55,449,752</u>	<u>55,363,493</u>	<u>(86,259)</u>
Deficiency of revenues over expenditures	(148,000)	(659,577)	(942,775)	(283,198)
OTHER FINANCING SOURCES (USES)				
Transfers in	178,000	178,000	178,000	-
Transfers out	(30,000)	(30,000)	(30,000)	-
Cancellation of prior year encumbrances	-	-	46,681	46,681
Appropriation of fund balance	-	511,577	-	(511,577)
Total other financing sources (uses)	<u>148,000</u>	<u>659,577</u>	<u>194,681</u>	<u>(464,896)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (748,094)</u>	<u>\$ (748,094)</u>

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities			Governmental Activities
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 930,046	\$ 279,021	\$ 1,209,067	\$ 218,212
Receivables:				
User charges, net allowance for doubtful accounts of \$175,600	991,795	156,321	1,148,116	-
Connection fees	-	218,261	218,261	-
Intergovernmental	-	22,718	22,718	-
Other	191,661	-	191,661	-
Due from other funds	139,447	85,043	224,490	5,021,909
Deferred charges on bond issuance, net	13,206	-	13,206	-
Total current assets	<u>2,266,155</u>	<u>761,364</u>	<u>3,027,519</u>	<u>5,240,121</u>
Noncurrent assets:				
Receivables:				
Connection fees	-	1,309,583	1,309,583	-
Other	354,361	-	354,361	-
Capital assets:				
Non-depreciable	1,088,131	424,759	1,512,890	-
Depreciable, net	44,626,656	11,750,088	56,376,744	-
Total noncurrent assets	<u>46,069,148</u>	<u>13,484,430</u>	<u>59,553,578</u>	<u>-</u>
Total assets	<u>48,335,303</u>	<u>14,245,794</u>	<u>62,581,097</u>	<u>5,240,121</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	139,987	85,045	225,032	-
Accrued liabilities:				
Salaries and benefits payable	12,110	646	12,756	-
Accrued interest	32,038	-	32,038	-
Claims payable	-	-	-	495,998
Unearned revenue	160,456	-	160,456	-
Total current liabilities	<u>344,591</u>	<u>85,691</u>	<u>430,282</u>	<u>495,998</u>
Non-current liabilities:				
Due within one year:				
Bonds payable	355,000	-	355,000	-
Compensated absences	9,298	525	9,823	-
Contract payable	-	218,261	218,261	-
Due in more than one year:				
Advances from other funds	1,080,000	-	1,080,000	-
Bonds payable	1,547,256	-	1,547,256	-
Compensated absences	37,194	2,098	39,292	-
Contract payable	-	2,076,757	2,076,757	-
Total non-current liabilities	<u>3,028,748</u>	<u>2,297,641</u>	<u>5,326,389</u>	<u>-</u>
Total liabilities	<u>3,373,339</u>	<u>2,383,332</u>	<u>5,756,671</u>	<u>495,998</u>
NET ASSETS				
Invested in capital assets, net of related debt	43,812,531	9,879,829	53,692,360	-
Unrestricted	1,149,433	1,982,633	3,132,066	4,744,123
Total net assets	<u>\$ 44,961,964</u>	<u>\$ 11,862,462</u>	<u>\$ 56,824,426</u>	<u>\$ 4,744,123</u>

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-type Activities			Governmental Activities
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
OPERATING REVENUES				
Charges for services and premiums	\$ 4,589,763	\$ 1,090,166	\$ 5,679,929	\$ 7,321,051
Intergovernmental	240,554	22,718	263,272	-
Total operating revenues	<u>4,830,317</u>	<u>1,112,884</u>	<u>5,943,201</u>	<u>7,321,051</u>
OPERATING EXPENSES				
Personnel services	779,044	53,425	832,469	-
Supplies	588,879	883,474	1,472,353	-
Maintenance	894,279	12,906	907,185	-
Energy and transportation	1,062,950	52,946	1,115,896	-
Insurance and taxes	419,549	21,505	441,054	-
Claims incurred	-	-	-	5,671,529
Administration	287,002	65,090	352,092	766,035
Depreciation	1,264,864	236,293	1,501,157	-
Total operating expenses	<u>5,296,567</u>	<u>1,325,639</u>	<u>6,622,206</u>	<u>6,437,564</u>
Operating income (loss)	(466,250)	(212,755)	(679,005)	883,487
NON-OPERATING INCOME (EXPENSE)				
Interest income	773	658	1,431	212
Interest expense	(86,598)	-	(86,598)	-
Total non-operating income (expense)	<u>(85,825)</u>	<u>658</u>	<u>(85,167)</u>	<u>212</u>
Change in net assets before transfers	(552,075)	(212,097)	(764,172)	883,699
Transfer in	-	384,459	384,459	-
Transfer out	(167,018)	-	(167,018)	-
Change in net assets	<u>(719,093)</u>	<u>172,362</u>	<u>(546,731)</u>	<u>883,699</u>
Net assets - beginning, as originally reported	44,960,354	12,223,747	57,184,101	3,860,424
Adjustments (see Note 14)	<u>720,703</u>	<u>(533,647)</u>	<u>187,056</u>	<u>-</u>
Net assets - beginning, as adjusted	<u>45,681,057</u>	<u>11,690,100</u>	<u>57,371,157</u>	<u>3,860,424</u>
Net assets - ending	<u>\$ 44,961,964</u>	<u>\$ 11,862,462</u>	<u>\$ 56,824,426</u>	<u>\$ 4,744,123</u>

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-type Activities			Governmental Activities
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for the following:				
Customers and users	\$ 6,278,964	\$ 1,078,423	\$ 7,357,387	\$ 6,401,800
Intergovernmental	401,010	225,150	626,160	-
Cash paid for the following:				
Personnel services	(815,885)	(50,156)	(866,041)	-
Supplies	(809,069)	(931,592)	(1,740,661)	-
Maintenance	(1,956,685)	(12,906)	(1,969,591)	-
Energy and transportation	(1,062,950)	(52,946)	(1,115,896)	-
Insurance and taxes	(419,549)	(21,505)	(441,054)	-
Administration	(287,002)	(65,090)	(352,092)	(766,035)
Benefits and claims	-	-	-	(5,611,801)
Net cash provided by operating activities	<u>1,328,834</u>	<u>169,378</u>	<u>1,498,212</u>	<u>23,964</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayments on advances from other funds	(80,000)	-	(80,000)	-
Transfer out	(167,018)	-	(167,018)	-
Net cash used in noncapital financing activities	<u>(247,018)</u>	<u>-</u>	<u>(247,018)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(13,713)	-	(13,713)	-
Sale of capital assets	100	-	100	-
Payments collected on long-term receivables	169,168	218,261	387,429	-
Interest paid on capital debt	(89,327)	-	(89,327)	-
Principal paid on capital debt	(245,000)	(308,927)	(553,927)	-
Net cash used in capital and related financial activities	<u>(178,772)</u>	<u>(90,666)</u>	<u>(269,438)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	773	658	1,431	212
Net cash provided by investing activities	<u>773</u>	<u>658</u>	<u>1,431</u>	<u>212</u>
Net increase in cash and cash equivalents	903,817	79,370	983,187	24,176
Cash and cash equivalents, beginning of year	26,229	199,651	225,880	194,036
Cash and cash equivalents, end of year	<u>\$ 930,046</u>	<u>\$ 279,021</u>	<u>\$ 1,209,067</u>	<u>\$ 218,212</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (466,250)	\$ (212,755)	\$ (679,005)	\$ 883,487
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,264,864	236,293	1,501,157	-
Changes in assets and liabilities:				
Decrease in prepaid assets	11,991	-	11,991	-
Decrease (increase) in user charges receivable	1,605,973	(11,743)	1,594,230	-
Decrease in other receivables	83,228	202,432	285,660	-
Decrease (increase) in accounts payable	(1,062,406)	14,207	(1,048,199)	-
Decrease (increase) in accrued payroll	(15,314)	646	(14,668)	-
Increase in unearned revenue	160,456	-	160,456	-
Decrease (increase) in compensated absences	(21,527)	2,623	(18,904)	-
Increase in due from other funds	(232,181)	(62,325)	(294,506)	(919,251)
Increase in claims payable	-	-	-	59,728
Net cash provided by operating activities	<u>\$ 1,328,834</u>	<u>\$ 169,378</u>	<u>\$ 1,498,212</u>	<u>\$ 23,964</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Increase in depreciable capital assets through capital transfer in	\$ -	\$ 384,459	\$ 384,459	\$ -

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust Fund - School Scholarships	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 76,591	\$ 570,853
Investments, at fair value:		
Certificates of deposit	91,845	33,297
Equity mutual funds	74,116	-
Fixed income mutual funds	105,096	-
Total assets	347,648	\$ 604,150
LIABILITIES		
Due to student groups	-	259,080
Due to others	-	345,070
Total liabilities	-	\$ 604,150
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ 347,648	

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

**TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	Private Purpose Trust Fund - School Scholarships
ADDITIONS	
Contributions:	
Private donations	\$ 38,399
Total contributions	38,399
Investment earnings:	
Interest	3,628
Net increase in the fair value of investments	28,319
Total investment earnings	31,947
Total additions	70,346
DEDUCTIONS	
Awards expense	6,435
Administrative expenses	1,454
Total deductions	7,889
Change in net assets	62,457
Net assets - beginning, as originally reported	-
Restatements (<i>see Note 13</i>)	285,191
Net assets - beginning, as adjusted	285,191
Net assets - ending	\$ 347,648

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

The Town of Montville, Connecticut was settled in 1786 and covers 43.9 square miles located in the Southeastern part of Connecticut. The Town operates under a Town Council/Mayor form of government and provides the following services as authorized by its charter: public safety, public works, health, social services, recreation, planning and zoning, education and miscellaneous programs not included in the above.

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

In addition, the Town reports the following fund types:

Internal Service Fund (proprietary) - This fund accounts for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities as permitted by GASB Statement No. 10.

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

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide, Proprietary and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements (except for Agency Funds) are prepared using the economic resources measurement*focus and the accrual basis of accounting. Agency Funds have no measurement focus. 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.

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

Accounting and financial reporting for governmental and business-type activities and proprietary funds is based on all applicable Governmental Accounting Standards Board ("GASB") pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements:

- a. Financial Accounting Standards Board ("FASB") Statements and Interpretations;
- b. Accounting Principles Board Opinions;
- c. Accounting Research Bulletins of the Committee on Accounting Procedure.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town may also apply FASB pronouncements issued after November 30, 1989 to business-type activities and enterprise funds, unless these pronouncements conflict with or contradict GASB pronouncements. The Town has elected not to follow subsequent private-sector pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current period. Property taxes, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the Town. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY

Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Town presents all investments at fair value.

The State of Connecticut Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The balance in the pools are reported at net asset value, which is representative of the value of the pool shares.

Inventories

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

Property Taxes, Sewer Assessment and Usage Charges

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$564,000 as of June 30, 2011.

Upon completion of projects, water and sewer assessments are levied and assessed to the users each February. Usage charges are billed quarterly or monthly depending on the property type, beginning in January. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets (Continued)

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

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

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

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

Unearned/Deferred Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Compensated Absences

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

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

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Long-term Obligations (Continued)

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

Fund Equity

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

Invested in capital assets, net of related debt - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net assets - This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This category consists of net assets which do not meet the definition of the two preceding categories.

During the year ended June 30, 2011, the Town implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes criteria for classifying fund balances into specifically defined classifications for all governments that report governmental funds. The Town's governmental funds report the following fund balance categories:

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

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

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

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

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Fund Equity (Continued)

The Town does not have a formal policy over the use of fund balance. In accordance with GASB Statement No. 54, the Town will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned. It is the Town's policy to maintain an unassigned fund balance in the General Fund between 5% and 12% of the Town's general fund budget. Two-thirds vote of the entire Town Council is required to decrease fund balance below 8%.

INTERFUND ACTIVITIES

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Interfund Services Provided and Used

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

Interfund Transfers

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

Interfund Reimbursements

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

USE OF ESTIMATES

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2011

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES

BUDGETARY INFORMATION

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

- By 100 days before the close of the fiscal year, the head of each department, office and agency submits to the Finance Director detailed estimates of expenditures and any revenues other than tax revenues expected to be collected. Expenditures are controlled at the department level.
- The Mayor submits a Capital Improvement Program for the ensuing fiscal year and the immediate four subsequent years to the Town Council for changes from the prior year's program by 75 days before the close of the fiscal year. It is then submitted to the Planning and Zoning Commission for approval. The Council then adopts the Program. The Program details the project, cost estimates, methods of financing, time schedules, and the estimated annual cost of the facility operation.
- By 75 days before the close of the fiscal year, the Mayor presents a budget message, estimates of revenues and expenditures and justifications to the Town Council.
- By 60 days before the close of the fiscal year, the Town Council publishes the particulars of the budgets and holds one or more public hearings.
- The Town Council may add, increase, delete or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor, who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be overridden by a two-thirds vote of the entire Council.
- The Town Council adopts the final budget before 30 days of the close of the fiscal year.
- If the Town Council fails to adopt a budget within the prescribed timeframe, the previous year's budget prevails on a month-to-month basis until the new budget is adopted.
- With written approval of a department head and the Director of Finance, transfers between line items within a department can be made. The Town Council may transfer unexpended balances between departments.
- The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- Additional appropriations may be made during the year by resolution of the Town Council. Additional appropriations from fund balance for the year ended June 30, 2011 amounted to \$511,577.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year. Generally, all unexpended appropriations lapse at year-end, except those for Capital Projects Funds and certain Special Revenue Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES (Continued)

BUDGETARY INFORMATION (Continued)

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2011:

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing Sources -</u> <u>Transfers, Net</u>	<u>Net Change</u> <u>in</u> <u>Fund Balance</u>
Budgetary basis	\$ 54,420,718	\$ 55,363,493	\$ 194,681	\$ (748,094)
"On-behalf" payments - State Teachers Retirement Fund (see Note 9)	2,902,430	2,902,430	-	-
Encumbrances	-	220,807	(46,681)	(267,488)
Reimbursement for certain costs recorded as a reduction to expenditures for budgetary purposes	-	239,540	239,540	-
Certain items recorded as revenues for budgetary purposes	(179,104)	-	179,104	-
GAAP basis	<u>\$ 57,144,044</u>	<u>\$ 58,726,270</u>	<u>\$ 566,644</u>	<u>\$ (1,015,582)</u>

DEFICIT FUND BALANCES

The following funds have deficit fund balances as of June 30, 2011, neither of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
Bonded Projects Fund	\$ 5,510,108
Public Safety Building	360,336

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES (Continued)

EXPENDITURES WHICH EXCEED APPROPRIATIONS

As discussed above, the legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2011, expenditures exceeded appropriations in the following amounts:

<u>Department</u>	<u>Budget Line</u>	<u>Amount</u>
General government	Senior center - contractual services	\$ 10,181
General government	Other	6,004
Public safety	Police department - contractual services	57,266
Public safety	Animal control - contractual services	1,853
Public safety	Fire protection - contractual services	40,666
Public works	Public works - contractual services	43,603
Public works	Solid waste - contractual services	12,839
Recreation and leisure	Recreation - contractual services	1,492
Miscellaneous	Montville power accrual	250,000

These excess expenditures were funded with available fund balance and do not represent a violation of any regulatory or statutory provisions.

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

A reconciliation of the Town's cash and cash equivalents as of June 30, 2011 is as follows:

Government-wide statement of net assets:	
Cash and cash equivalents	\$ 7,997,071
Statement of fiduciary net assets:	
Cash and cash equivalents	647,444
	8,644,515
Add: certificates of deposit classified as investments	125,142
Less: cash equivalents considered investments under GASB Statement No. 40	(1,792,594)
	\$ 6,977,063

CASH DEPOSITS – CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. Effective December 31, 2010, extending through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balances of the account. As of June 30, 2011, \$4,290,767 of the Town's bank balance of \$7,892,668 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,861,690
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	429,077
	\$ 4,290,767

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

CASH DEPOSITS – CUSTODIAL CREDIT RISK (Continued)

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

INVESTMENTS

A reconciliation of the Town's investments as of June 30, 2011 is as follows:

Government-wide statement of net assets:

Investments	\$ -
Statement of fiduciary net assets:	
Cash and cash equivalents	304,354
	304,354
Add: cash equivalents considered investments under GASB Statement No. 40	1,792,594
Less: certificates of deposit classified as investments	(125,142)
	\$ 1,971,806

As of June 30, 2011, the Town's investments consist of the following:

Investment type	Fair Value	Investment Maturities (In Years) Less Than 1
Debt Securities:		
Pooled fixed income accounts	\$ 1,788,502	\$ 1,788,502
Fixed income mutual funds	74,116	74,116
Money market mutual funds	4,092	4,092
	1,866,710	\$ 1,866,710
Other investments:		
Equity mutual funds	105,096	
	\$ 1,971,806	

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk at June 30, 2011, as they are held by a trustee in the Town's name.

Concentrations of Credit Risk

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2011 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,693,438	\$ 319,290	\$ (65,440)	\$ 1,947,288
Construction in progress	-	1,529,349	-	1,529,349
Total capital assets, not being depreciated	<u>1,693,438</u>	<u>1,848,639</u>	<u>(65,440)</u>	<u>3,476,637</u>
Capital assets, being depreciated:				
Land improvements	952,055	23,623	-	975,678
Buildings and improvements	86,204,825	300,784	-	86,505,609
Machinery and equipment	11,259,975	95,827	(163,849)	11,191,953
Infrastructure	16,114,537	-	-	16,114,537
Total capital assets, being depreciated	<u>114,531,392</u>	<u>420,234</u>	<u>(163,849)</u>	<u>114,787,777</u>
Less accumulated depreciation and amortization for:				
Land improvements	652,372	16,836	-	669,208
Buildings and improvements	10,601,494	1,275,693	-	11,877,187
Machinery and equipment	6,670,407	571,736	(157,335)	7,084,808
Infrastructure	6,391,442	214,009	-	6,605,451
Total accumulated depreciation and amortization	<u>24,315,715</u>	<u>2,078,274</u>	<u>(157,335)</u>	<u>26,236,654</u>
Total capital assets, being depreciated, net	<u>90,215,677</u>	<u>(1,658,040)</u>	<u>(6,514)</u>	<u>88,551,123</u>
Governmental activities capital assets, net	<u>\$ 91,909,115</u>	<u>\$ 190,599</u>	<u>\$ (71,954)</u>	<u>\$ 92,027,760</u>

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

Governmental Activities:	
General government	\$ 99,285
Public safety	253,550
Public works	363,465
Recreation and leisure	41,738
Education	1,320,236
Total depreciation and amortization expense - governmental activities	<u>\$ 2,078,274</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2011 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities		-		
Capital assets, not being depreciated:				
Land	\$ 1,127,031	\$ -	\$ -	1,127,031
Construction in progress	1,617,915	384,459	(1,616,515)	385,859
Total capital assets, not being depreciated	<u>2,744,946</u>	<u>384,459</u>	<u>(1,616,515)</u>	<u>1,512,890</u>
Capital assets, being depreciated:				
Buildings and improvements	18,561,981	-	-	18,561,981
Distribution and collection systems	49,870,808	1,616,515	-	51,487,323
Machinery and equipment	12,273,634	13,713	(13,200)	12,274,147
Total capital assets, being depreciated	<u>80,706,423</u>	<u>1,630,228</u>	<u>(13,200)</u>	<u>82,323,451</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	4,899,700	367,536	-	5,267,236
Distribution and collection systems	13,941,876	705,382	-	14,647,258
Machinery and equipment	5,617,074	428,239	(13,100)	6,032,213
Total accumulated depreciation and amortization	<u>24,458,650</u>	<u>1,501,157</u>	<u>(13,100)</u>	<u>25,946,707</u>
Total capital assets, being depreciated, net	<u>56,247,773</u>	<u>129,071</u>	<u>(100)</u>	<u>56,376,744</u>
Business-type activities capital assets, net	<u>\$ 58,992,719</u>	<u>\$ 513,530</u>	<u>\$ (1,616,615)</u>	<u>\$ 57,889,634</u>

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

Business-type Activities:	
Sewer department	\$ 1,264,864
Water department	<u>236,293</u>
Total depreciation and amortization expense - business-type activities	<u>\$ 1,501,157</u>

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Other governmental funds	\$ 868,912
	Bonded Projects Fund	5,371,733
		<u>6,240,645</u>
Other governmental funds	General Fund	650,714
	Other governmental funds	252,531
		<u>903,245</u>
		<u>\$ 7,143,890</u>
Proprietary Funds:		
Internal Service Fund	General Fund	\$ 5,021,909
Sewer Department	General Fund	139,447
Water Department	General Fund	85,043
		<u>\$ 5,246,399</u>

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

Interfund advances during the year ended June 30, 2011 were as follows:

<u>Advanced From:</u>	<u>Advanced To:</u>	<u>Amount</u>
General Fund	Sewer Department	\$ 1,080,000

The advances made from the General Fund related to advances to cover operational expenses for the sewer department. It is anticipated that none of the amount due to the General Fund from the Sewer Department will be repaid within one year, and therefore, this balance due has been presented as advance to/from other fund in the accompanying governmental funds balance sheet and proprietary funds statement of net assets.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
General Fund	Sewer Department	\$ 167,018
	Other governmental funds	166,000
		<u>333,018</u>
Other governmental funds	General Fund	30,000
Total transfers		<u>\$ 363,018</u>

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Adjustments (See Note 14)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Bonds payable:	-					
General obligation bonds	\$ 41,137,600	\$ -	\$ -	\$ (2,940,000)	\$ 38,197,600	\$ 2,645,000
Unamortized premium	-	620,022	-	(41,335)	578,687	-
Deferred amounts on refunding	(41,470)	(620,022)	-	44,100	(617,392)	-
Total bonds payable	<u>41,096,130</u>	<u>-</u>	<u>-</u>	<u>(2,937,235)</u>	<u>38,158,895</u>	<u>2,645,000</u>
Other liabilities:						
Note payable	-	-	239,540	(121,541)	117,999	100,177
Capital lease obligations	151,570	-	-	(151,570)	-	-
Compensated absences	2,396,218	-	59,222	(429,908)	2,025,532	472,100
Teacher early retirement	320,044	-	152,073	(207,610)	264,507	135,000
Litigation judgments	550,000	-	-	-	550,000	-
Landfill closure	266,000	-	-	(19,000)	247,000	19,000
	<u>\$ 44,779,962</u>	<u>\$ -</u>	<u>\$ 450,835</u>	<u>\$ (3,866,864)</u>	<u>\$ 41,363,933</u>	<u>\$ 3,371,277</u>
Business-type Activities						
Bonds payable:						
Sewer bonds	\$ 2,022,400	\$ -	\$ -	\$ (245,000)	\$ 1,777,400	\$ 355,000
Unamortized premium	-	139,844	-	(9,323)	130,521	-
Deferred amounts on refunding	139,844	(145,914)	-	405	(5,665)	-
Total bonds payable	<u>2,162,244</u>	<u>(6,070)</u>	<u>-</u>	<u>(253,918)</u>	<u>1,902,256</u>	<u>355,000</u>
Other liabilities:						
Contract payable	2,070,298	533,647	-	(308,927)	2,295,018	218,261
Compensated absences	68,019	-	-	(18,904)	49,115	9,823
	<u>\$ 4,300,561</u>	<u>\$ 527,577</u>	<u>\$ -</u>	<u>\$ (581,749)</u>	<u>\$ 4,246,389</u>	<u>\$ 583,084</u>

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION BONDS AND NOTE PAYABLE

A summary of general obligation bonds and note payable outstanding at June 30, 2011 is as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
Governmental Activities					
Bonds Payable					
General Obligation Bonds	1988	\$ 7,310,000	6.25% - 7.0%	2015	\$ 870,000
General Obligation Bonds	1992	8,050,000	5.0% - 7.0%	2012	390,000
General Obligation Bonds	1994	7,475,000	2.75% - 5.5%	2014	725,000
General Obligation Bonds	2001	4,497,000	4.0% - 5.0%	2013	450,000
General Obligation Bonds	2004	10,070,000	2.5% - 4.5%	2024	3,890,000
General Obligation Bonds	2006	10,000,000	3.625% - 5.0%	2027	7,360,000
General Obligation Bonds	2007	6,300,000	3.7% - 4.5%	2028	4,410,000
General Obligation Bonds	2009	12,000,000	2.0% - 4.0%	2024	10,000,000
General Obligation Bonds	2010	2,212,600	2.0% - 4.0%	2022	2,212,600
General Obligation Bonds	2010	8,035,000	3.0% - 5.0%	2025	7,890,000
					\$ 38,197,600
Note Payable					
CL&P note payable	2011	\$ 239,540	0.00%	2013	\$ 117,999
Business-type Activities					
Bonds Payable					
General Obligation Bonds	1992	\$ 730,000	5.0% - 7.0%	2012	\$ 45,000
General Obligation Bonds	1994	2,130,000	4.3% - 7.5%	2012	115,000
General Obligation Bonds	1994	390,000	2.75% - 5.5%	2012	15,000
General Obligation Bonds	1999	1,350,000	6.60%	2019	560,000
General Obligation Bonds	2010	1,042,400	2.0% - 4.0%	2019	1,042,400
					\$ 1,777,400

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION BONDS AND NOTE PAYABLE (Continued)

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2011:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,645,000	\$ 1,403,665	\$ 100,177	\$ -	\$ 2,745,177	\$ 1,403,665
2013	3,093,400	1,275,300	17,822	-	3,111,222	1,275,300
2014	3,049,000	1,161,752	-	-	3,049,000	1,161,752
2015	2,854,000	1,055,995	-	-	2,854,000	1,055,995
2016	2,647,700	958,889	-	-	2,647,700	958,889
2017-2021	13,133,500	3,417,503	-	-	13,133,500	3,417,503
2022-2026	9,620,000	1,017,817	-	-	9,620,000	1,017,817
2027-2028	1,155,000	35,700	-	-	1,155,000	35,700
	<u>\$ 38,197,600</u>	<u>\$ 10,326,621</u>	<u>\$ 117,999</u>	<u>\$ -</u>	<u>\$ 38,315,599</u>	<u>\$ 10,326,621</u>

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2012	\$ 355,000	\$ 76,303	\$ 431,303
2013	176,600	61,432	238,032
2014	211,000	52,393	263,393
2015	211,000	43,543	254,543
2016	207,300	35,454	242,754
2017-2019	616,500	49,291	665,791
	<u>\$ 1,777,400</u>	<u>\$ 318,416</u>	<u>\$ 2,095,816</u>

Refundings

On February 10, 2010, the Town issued \$11,290,000 in general obligation bonds with an average interest rate of 2.54% to refund outstanding bonds with an average rate of 3.94%. The bonds refunded were as follows: \$1,170,000 of outstanding 1999 general obligation bonds, \$2,150,000 of outstanding 2001 general obligation bonds, \$3,910,000 of outstanding 2004 general obligation bonds, \$1,050,000 of outstanding 2006 general obligation bonds, \$945,000 of 2007 general obligation bonds, and \$2,000,000 of 2009 general obligation bonds. The net proceeds of \$11,937,068 (after payment of expenses of \$164,456) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by the United States of America, to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the Statement of Net Assets. The transactions generated a cash flow savings of \$456,175 and a present value savings of \$370,086.

At June 30, 2011, there is approximately \$11 million of both defeased debt and balances in the escrow account.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (Continued)

GENERAL OBLIGATION BONDS AND NOTE PAYABLE (Continued)

School Bond Reimbursements

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2011 was \$572,457. Additional reimbursements of principal and interest aggregating \$139,081 and \$8,758, respectively, are expected to be received through the applicable bonds' maturity dates. The Town has recorded a receivable relating to the principal portion of these payments in the accompanying statement of net assets. In addition, there are several open school construction projects, for which \$1,276,360 has been recorded as receivable in the Bonded Projects Fund.

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$238,411,558 as of June 30, 2011. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2011.

Authorized, Unissued Bonds

As of June 30, 2011, the Town had authorized but unissued bonds totaling \$16,200,500.

EARLY RETIREMENT BENEFITS

The Board of Education provides early retirement incentive benefits to 14 former employees. Benefits are paid annually based on the retirement agreement for each employee. Benefits are payable through 2016. The amount paid from general fund appropriations during the year ended June 30, 2011 was \$207,610.

LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and Federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill post-closure care costs is \$247,000 as of June 30, 2011, which is based on 100% usage of the landfill. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2011. However, post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

CONTRACT PAYABLE

The Town has entered into a long-term contract with the Mohegan Tribal Utility Authority in connection with its portion of costs from a Regional Water Extension Project. Such amount payable totals \$2,295,018, of which \$758,540 is owed by the Town and \$1,536,478 is owed by other parties. The Town has recorded the \$1,536,478 as a receivable as of June 30, 2011 as the Town is collecting the debt payments to be remitted per terms of the agreement. The maturity date of the entire contract is September 2018.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 8 - UNEARNED/DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
General Fund:			
Property taxes and accrued interest on delinquent property taxes	\$ 1,437,582	\$ -	\$ 1,437,582
Assessments and accrued interest on delinquent assessment charges	424,101	-	424,101
School building construction grant receivables	139,081	-	139,081
Other receivables	41,225	-	41,225
Bonded Projects Fund:			
School building construction grant receivables	1,276,360	-	1,276,360
Nonmajor Governmental Funds:			
Grant drawdowns prior to meeting all eligibility requirements	-	80,992	80,992
	\$ 3,318,349	\$ 80,992	\$ 3,399,341

NOTE 9 - RETIREMENT PLANS

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT FUND B

Plan Description and Benefit Provisions

All full-time employees of the Town, except for certified board of education personnel and firefighters, who are age 55 or younger at the date of hire, participate in the Connecticut Municipal Employees' Retirement Fund B (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, with annual cost of living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Annual cost of living increases between 3% and 5% are paid to disabled members and nondisabled retired members which have reached age 65. All benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

Contributions

Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the MERF for the years ended June 30, 2011, 2010 and 2009 were \$612,864, \$466,531, and \$409,560, respectively, and were equal to the required contributions for each year.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2011

NOTE 9 - RETIREMENT PLANS (*Continued*)

TEACHERS' RETIREMENT SYSTEM

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2011, Town teachers contributed \$1,323,435 to the plan and covered payroll for the year was \$18,254,276.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$2,902,430 made by the State of Connecticut into the plan as intergovernmental revenues and education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

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

Town Employees: Public works and dispatch employees are eligible to receive health benefits for self and spouse. Normal retirement is the earlier of age 55 with 25 years of service, or age 65 with 10 years of service. Individuals receiving benefits contribute 100% of their premium costs.

Board of Education Administrators: Administrators receiving benefits are required to contribute 50% of their premium costs. Administrators are eligible for benefits upon retirement and 20 years of service regardless of age.

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Town's annual OPEB cost is entirely attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to premium rates offered to the Town's active employees. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 121,080
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	121,080
Contributions made	121,080
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ -

Annual OPEB Cost and Net OPEB Obligation

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 106,510	100.0%	\$ -
2010	114,884	100.0%	-
2011	121,080	100.0%	-

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 (the date of the most recent actuarial valuation) was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	Overfunded (Unfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 823,001	\$ (823,001)	0.0%	N/A	N/A

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

Actuarial Methods and Assumptions

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

Valuation date:	July 1, 2010
Actuarial cost method:	Entry Age Actuarial Cost Method
Amortization method:	Level Dollar Amount, Closed
Remaining amortization period:	9.29 years
Asset valuation method:	N/A
Actuarial assumptions:	
Inflation rate	2.50%
Interest rate	4.00%
Healthcare cost trend rate	8.0% initial 5.00% final

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. During 2011, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

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

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2011. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

A summary of claims activity for the years ended June 30, 2010 and 2011 is as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2010	\$ 550,220	\$ 6,826,823	\$ 6,940,773	\$ 436,270
2011	436,270	5,671,529	5,611,801	495,998

The Town is a member of the Connecticut Interlocal Risk Management Agency ("CIRMA"), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities ("CCM") for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes. The Town is a member of CIRMA's worker's compensation pool, a risk sharing pool, which commenced operations on July 1, 1980. The worker's compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Worker's Compensation Act. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

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

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 12 - COMMITMENTS AND CONTINGENCIES

There are several lawsuits pending against the Town. For certain of these cases, where it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, a loss contingency has been accrued for \$550,000. The Town's management believes it has meritorious defenses against these lawsuits and estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial condition of the Town.

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

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

As of June 30, 2011, the Town has recorded \$1,878,101 in encumbrances. Such encumbrances have been included as part of the assigned fund balance designation in accordance with the provisions of GASB Statement No. 54.

NOTE 13 - ADJUSTMENTS - IMPLEMENTATION OF GASB NO. 54

In February 2009, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("Statement No. 54"). Statement No. 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds and clarified the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The application of Statement No. 54 was effective for the Town as of July 1, 2010. Based on the interpretations of certain terms within the definitions of certain fund types provided for in Statement No. 54, the Town has determined that certain activities previously reported in special revenue funds are required to be reported in other fund types. Accordingly, fund balance reclassifications made by the Town have resulted in an increase in the beginning fund balance of the Town's General Fund in the amount of \$28,000, an increase of \$285,191 in the beginning fund balance of the Town's Private Purpose Trust Fund, and a corresponding decrease in the beginning fund balance of the Town's Other Governmental Funds in order to conform to the provisions of Statement No. 54. In addition, a decrease in net assets of governmental activities of \$285,191 has been recorded to reflect the beginning balance of the Private Purpose Trust Fund previously reported in governmental activities but no longer since it is now reported as a Fiduciary Fund.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

NOTE 14 - ADJUSTMENTS – CORRECTION OF PRIOR PERIODS

Net assets of the governmental and business type activities financial statements as of July 1, 2010 have been adjusted as follows:

	Governmental Activities	Business-Type Activities
Adjustment to record bond issuance costs related to refunding bonds issued in 2010	\$ 139,092	\$ 14,149
Adjustment to record deferred gain related to refunding bonds issued in 2010	620,022	145,914
Adjustment to record bond premium related to refunding bonds issued in 2010	(620,022)	(139,844)
Adjustment to record long-term receivable from Rand Whitney, previously not record	-	700,484
Adjustment to properly record interest payable related to contract with Mohegan Tribal Utility Authority for which a receivable for the full amount has been recorded	-	(533,647)
	\$ 139,092	\$ 187,056

The effect of the adjustments on the changes in net assets for the year ended June 30, 2010 is not readily determinable.

NOTE 15 - SUBSEQUENT EVENT

In September 2011, the Town issued \$12,125,000 in general obligation bond anticipation notes that bear an interest rate of 1.5% and mature in August 2012.

**Required
Supplementary
Information**

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2011**

Other Post Employment Benefits Program

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

Combining and Individual Fund Statements and Schedules

General Fund

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
PROPERTY TAXES				
Revenues from property taxes	\$ 34,145,381	\$ 34,145,381	\$ 33,621,579	\$ (523,802)
Telephone access	75,000	75,000	60,369	(14,631)
Interest and lien fees	336,000	336,000	346,312	10,312
Total property taxes	<u>34,556,381</u>	<u>34,556,381</u>	<u>34,028,260</u>	<u>(528,121)</u>
INTERGOVERNMENTAL REVENUES				
State grants for school aid:				
ECS grant	12,549,531	12,549,531	12,555,395	5,864
Transportation	403,630	403,630	379,347	(24,283)
Education of the blind	3,500	3,500	-	(3,500)
Special education	200,000	200,000	369,860	169,860
Adult education	32,359	32,359	33,036	677
Reimbursement middle school bond	607,273	607,273	573,272	(34,001)
Total state grants for school aid	<u>13,796,293</u>	<u>13,796,293</u>	<u>13,910,910</u>	<u>114,617</u>
State grants unspecified:				
In lieu of taxes	837,019	837,019	856,822	19,803
Emergency management program	8,000	8,000	9,422	1,422
Tax relief for elderly	114,500	114,500	99,710	(14,790)
Manufacturer inventory tax	485,430	485,430	356,761	(128,669)
Other grants	67,500	67,500	63,933	(3,567)
Elect restructuring grant	401,000	401,000	401,497	497
Pequot funds	1,711,969	1,711,969	1,785,551	73,582
JAG grant	-	-	2,271	2,271
FEMA grant	-	-	267,576	267,576
Total state grants unspecified	<u>3,625,418</u>	<u>3,625,418</u>	<u>3,843,543</u>	<u>218,125</u>
Total intergovernmental revenues	<u>17,421,711</u>	<u>17,421,711</u>	<u>17,754,453</u>	<u>332,742</u>
CHARGES FOR SERVICES				
Licenses and permits:				
Conveyance tax	116,000	116,000	78,563	(37,437)
Town clerk fees	115,000	115,000	111,299	(3,701)
Dog licenses	1,000	1,000	2,061	1,061
Dog warden	1,000	1,000	4,194	3,194
Building department	124,000	124,000	130,452	6,452
Miscellaneous permits	9,000	9,000	10,240	1,240
Transfer station	230,000	230,000	212,923	(17,077)
Total licenses and permits	<u>596,000</u>	<u>596,000</u>	<u>549,732</u>	<u>(46,268)</u>
Revenue from other agencies:				
Planning and zoning and zoning board of appeals	11,000	11,000	3,878	(7,122)
Parks and recreations	55,000	55,000	104,490	49,490
Camp oakdale rent	1,600	1,600	2,155	555
Fair oaks facility rental	250	250	1,050	800
Housing authority	26,000	26,000	26,775	775
Youth service program	32,000	32,000	30,154	(1,846)
Total revenue from other agencies	<u>125,850</u>	<u>125,850</u>	<u>168,502</u>	<u>42,652</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
CHARGES FOR SERVICES (Continued)				
Charges for current services:				
Use of property	\$ 500	\$ 500	\$ -	\$ (500)
Tuition regular	120,000	120,000	108,016	(11,984)
Tuition special education	120,000	120,000	147,856	27,856
School miscellaneous revenue	5,000	5,000	13,656	8,656
Public works department	2,000	2,000	777	(1,223)
Commercial tipping fees	415,000	415,000	407,803	(7,197)
Assessor's office	2,100	2,100	1,789	(311)
Total charges for current services	<u>664,600</u>	<u>664,600</u>	<u>679,897</u>	<u>15,297</u>
Miscellaneous:				
St. Bernard's health service	13,825	13,825	12,194	(1,631)
Police reimbursement	90,000	90,000	177,770	87,770
Insurance reimbursement	20,000	20,000	14,734	(5,266)
Millstone reimbursement	15,000	15,000	30,518	15,518
Fire marshal private duty	5,000	5,000	226	(4,774)
All other miscellaneous	100,000	100,000	30,069	(69,931)
Sale of assets	75,000	75,000	24,086	(50,914)
Bond premium	155,108	155,108	155,018	(90)
Mohegan contributions	500,000	500,000	500,000	-
WPCA repayment	80,000	80,000	-	(80,000)
WPCA rental	11,000	11,000	11,000	-
Engineering review reimbursement	2,800	2,800	-	(2,800)
Total miscellaneous	<u>1,067,733</u>	<u>1,067,733</u>	<u>955,615</u>	<u>(112,118)</u>
Total charges for services	<u>2,454,183</u>	<u>2,454,183</u>	<u>2,353,746</u>	<u>(100,437)</u>
REVENUE FROM USE OF TOWN MONEY				
Investment interest	64,000	64,000	45,269	(18,731)
Sewer assessments	275,000	275,000	228,140	(46,860)
Water assessments	18,900	18,900	10,850	(8,050)
Total revenue from use of Town money	<u>357,900</u>	<u>357,900</u>	<u>284,259</u>	<u>(73,641)</u>
Total revenues	<u>54,790,175</u>	<u>54,790,175</u>	<u>54,420,718</u>	<u>(369,457)</u>
OTHER FINANCING SOURCES				
Cancellation of prior year encumbrances	-	-	46,681	46,681
Appropriation of fund balance	-	511,577	-	(511,577)
Transfers in - Town Aid Road	166,000	166,000	166,000	-
Transfers in - WPCA Financial Services	12,000	12,000	12,000	-
Total other financing sources	<u>178,000</u>	<u>689,577</u>	<u>224,681</u>	<u>(464,896)</u>
Total revenues and other other financing sources	<u>\$ 54,968,175</u>	<u>\$ 55,479,752</u>	<u>\$ 54,645,399</u>	<u>\$ (834,353)</u>

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT			-	
Mayor:				
Human services	\$ 142,886	\$ 169,924	\$ 169,663	\$ (261)
Contractual services	44,500	47,562	43,849	(3,713)
Commodities	6,300	7,550	6,342	(1,208)
Total mayor	<u>193,686</u>	<u>225,036</u>	<u>219,854</u>	<u>(5,182)</u>
Town council:				
Human services	19,500	25,550	25,503	(47)
Commodities	7,200	6,800	6,637	(163)
Total town council	<u>26,700</u>	<u>32,350</u>	<u>32,140</u>	<u>(210)</u>
Town attorney	<u>315,000</u>	<u>482,884</u>	<u>482,884</u>	<u>-</u>
Town hall / central services:				
Human services	5,200	4,903	3,724	(1,179)
Contractual services	137,500	143,257	140,652	(2,605)
Commodities	38,500	38,040	33,443	(4,597)
Total town hall / central services	<u>181,200</u>	<u>186,200</u>	<u>177,819</u>	<u>(8,381)</u>
Probate court:				
Contractual services	1,200	4,934	4,934	-
Commodities	700	700	700	-
Total probate court	<u>1,900</u>	<u>5,634</u>	<u>5,634</u>	<u>-</u>
Finance department:				
Human services	512,324	514,580	514,167	(413)
Contractual services	91,000	87,929	86,629	(1,300)
Commodities	16,100	16,915	15,025	(1,890)
Total finance department	<u>619,424</u>	<u>619,424</u>	<u>615,821</u>	<u>(3,603)</u>
Insurance and taxes	<u>3,165,250</u>	<u>3,395,550</u>	<u>3,362,049</u>	<u>(33,501)</u>
Board of assessment appeals:				
Human services	1,000	1,360	1,360	-
Commodities	600	240	-	(240)
Total board of assessment appeals	<u>1,600</u>	<u>1,600</u>	<u>1,360</u>	<u>(240)</u>
Auditor	<u>35,500</u>	<u>30,200</u>	<u>30,120</u>	<u>(80)</u>
Other	<u>426,490</u>	<u>370,461</u>	<u>376,465</u>	<u>6,004</u>
Town clerk:				
Human services	119,525	120,225	119,985	(240)
Contractual services	150	150	70	(80)
Commodities	26,400	23,998	20,611	(3,387)
Total town clerk	<u>146,075</u>	<u>144,373</u>	<u>140,666</u>	<u>(3,707)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT (Continued)				
Registrar of voters:				
Human services	\$ 35,900	\$ 36,036	\$ 36,036	\$ -
Contractual services	200	205	205	-
Commodities	2,250	2,109	756	(1,353)
Total registrar of voters	<u>38,350</u>	<u>38,350</u>	<u>36,997</u>	<u>(1,353)</u>
Elections / referendum:				
Contractual services	26,000	27,000	24,251	(2,749)
Commodities	12,900	12,900	11,130	(1,770)
Total elections / referendum	<u>38,900</u>	<u>39,900</u>	<u>35,381</u>	<u>(4,519)</u>
Land use department:				
Human services	228,773	223,373	220,762	(2,611)
Contractual services	600	600	415	(185)
Commodities	20,100	16,850	14,301	(2,549)
Capital	250	250	-	(250)
Total land use department	<u>249,723</u>	<u>241,073</u>	<u>235,478</u>	<u>(5,595)</u>
Inlands wetlands commission:				
Human services	800	940	939	(1)
Commodities	50	50	50	-
Total inland wetlands commission	<u>850</u>	<u>990</u>	<u>989</u>	<u>(1)</u>
Economic development commission:				
Human services	700	533	418	(115)
Commodities	2,400	2,567	424	(2,143)
Total economic development commission	<u>3,100</u>	<u>3,100</u>	<u>842</u>	<u>(2,258)</u>
Building board of appeals	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Zoning board of appeals:				
Human services	500	765	765	-
Contractual services	100	-	-	-
Total zoning board of appeals	<u>600</u>	<u>765</u>	<u>765</u>	<u>-</u>
Senior Center:				
Human services	137,874	136,155	135,302	(853)
Contractual services	33,500	36,067	46,248	10,181
Commodities	14,015	15,317	14,849	(468)
Total senior center	<u>185,389</u>	<u>187,539</u>	<u>196,399</u>	<u>8,860</u>
Youth services:				
Human services	137,385	134,083	132,619	(1,464)
Contractual services	42,425	46,727	45,514	(1,213)
Commodities	6,500	6,500	3,626	(2,874)
Total youth services	<u>186,310</u>	<u>187,310</u>	<u>181,759</u>	<u>(5,551)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT (Continued)				
Private duty	\$ 95,000	\$ 125,000	\$ 121,133	\$ (3,867)
Building inspector:				
Human services	161,479	161,479	160,927	(552)
Contractual services	315	315	1,704	1,389
Commodities	4,225	3,550	2,229	(1,321)
Capital	600	600	437	(163)
Total building inspector	<u>166,619</u>	<u>165,944</u>	<u>165,297</u>	<u>(647)</u>
School building committee:				
Human services	300	300	196	(104)
Commodities	50	50	-	(50)
Total school building committee	<u>350</u>	<u>350</u>	<u>196</u>	<u>(154)</u>
Information technology:				
Human services	71,573	71,573	66,980	(4,593)
Contractual services	209,215	208,176	189,743	(18,433)
Commodities	3,160	4,200	3,972	(228)
Total information technology	<u>283,948</u>	<u>283,949</u>	<u>260,695</u>	<u>(23,254)</u>
Total general government	<u>6,362,014</u>	<u>6,768,032</u>	<u>6,680,743</u>	<u>(87,289)</u>
PUBLIC SAFETY				
Emergency management:				
Human services	70,804	70,804	69,454	(1,350)
Contractual services	15,000	15,000	14,733	(267)
Commodities	3,785	3,785	1,830	(1,955)
Total emergency management	<u>89,589</u>	<u>89,589</u>	<u>86,017</u>	<u>(3,572)</u>
Police department:				
Human services	1,574,790	1,679,175	1,678,504	(671)
Contractual services	130,141	134,140	191,406	57,266
Commodities	52,345	52,541	49,693	(2,848)
Capital	18,500	24,020	23,764	(256)
Total police department	<u>1,775,776</u>	<u>1,889,876</u>	<u>1,943,367</u>	<u>53,491</u>
Fire marshal:				
Human services	80,479	82,261	82,261	-
Commodities	5,485	3,703	2,915	(788)
Total fire marshal	<u>85,964</u>	<u>85,964</u>	<u>85,176</u>	<u>(788)</u>
Animal control:				
Human services	50,940	50,889	50,889	-
Contractual services	2,960	4,211	6,064	1,853
Commodities	3,335	5,335	4,460	(875)
Total animal control	<u>57,235</u>	<u>60,435</u>	<u>61,413</u>	<u>978</u>
Public safety commission:				
Human services	1,650	2,612	2,612	-
Commodities	400	-	-	-
Total public satey commission	<u>2,050</u>	<u>2,612</u>	<u>2,612</u>	<u>-</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY (Continued)				
Public safety building commission:				-
Commodities	\$ -	\$ 1,130	\$ 1,128	\$ (2)
Total public safety building commission	<u>-</u>	<u>1,130</u>	<u>1,128</u>	<u>(2)</u>
Dispatch:				
Human services	234,088	258,288	253,791	(4,497)
Commodities	5,450	7,250	5,505	(1,745)
Total dispatch	<u>239,538</u>	<u>265,538</u>	<u>259,296</u>	<u>(6,242)</u>
Fire protection:				
Human services	714,240	678,740	663,787	(14,953)
Contractual services	354,308	354,308	394,974	40,666
Commodities	75,920	75,920	62,179	(13,741)
Total fire protection	<u>1,144,468</u>	<u>1,108,968</u>	<u>1,120,940</u>	<u>11,972</u>
Public safety building:				
Contractual services	44,900	58,007	57,283	(724)
Commodities	1,200	493	358	(135)
Total public safety building	<u>46,100</u>	<u>58,500</u>	<u>57,641</u>	<u>(859)</u>
Total public safety	<u>3,440,720</u>	<u>3,562,612</u>	<u>3,617,590</u>	<u>54,978</u>
PUBLIC WORKS				
Public works:				
Human services	1,162,602	1,150,270	1,150,268	(2)
Contractual services	389,150	392,268	435,871	43,603
Commodities	501,850	582,697	578,456	(4,241)
Capital	7,600	5,967	5,958	(9)
Total public works	<u>2,061,202</u>	<u>2,131,202</u>	<u>2,170,553</u>	<u>39,351</u>
Camp oakdale:				
Contractual services	43,300	42,741	42,584	(157)
Commodities	13,050	14,284	14,026	(258)
Total camp oakdale	<u>56,350</u>	<u>57,025</u>	<u>56,610</u>	<u>(415)</u>
Solid waste:				
Human services	131,546	123,098	122,408	(690)
Contractual services	908,500	852,249	865,088	12,839
Commodities	36,700	37,999	32,165	(5,834)
Capital	7,500	-	-	-
Total solid waste	<u>1,084,246</u>	<u>1,013,346</u>	<u>1,019,661</u>	<u>6,315</u>
Engineering services	<u>128,500</u>	<u>128,500</u>	<u>119,247</u>	<u>(9,253)</u>
Total public works	<u>3,330,298</u>	<u>3,330,073</u>	<u>3,366,071</u>	<u>35,998</u>
HEALTH AND WELFARE				
Contractual services	175,415	175,415	173,495	(1,920)
Commodities	700	700	492	(208)
Total health and welfare	<u>176,115</u>	<u>176,115</u>	<u>173,987</u>	<u>(2,128)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
SOCIAL SERVICES				
Human services	\$ 29,260	\$ 29,243	\$ 27,819	\$ (1,424)
Contractual services	2,650	2,774	2,612	(162)
Commodities	750	793	522	(271)
Total social services	<u>32,660</u>	<u>32,810</u>	<u>30,953</u>	<u>(1,857)</u>
RECREATION AND LEISURE				
Recreation:				
Human services	169,747	158,706	158,429	(277)
Contractual services	2,550	1,050	2,542	1,492
Commodities	29,650	48,328	47,753	(575)
Capital	1,000	505	354	(151)
Total recreation	<u>202,947</u>	<u>208,589</u>	<u>209,078</u>	<u>489</u>
Fair oaks building	<u>28,025</u>	<u>35,025</u>	<u>34,889</u>	<u>(136)</u>
Parks and recreation commission:				
Human services	1,500	2,755	2,669	(86)
Commission	100	145	145	-
Total parks and recreation commission	<u>1,600</u>	<u>2,900</u>	<u>2,814</u>	<u>(86)</u>
Total recreation and leisure	<u>232,572</u>	<u>246,514</u>	<u>246,781</u>	<u>267</u>
MISCELLANEOUS				
Donations to organizations	64,250	64,250	58,600	(5,650)
Commission on aging	100	100	100	-
Montville power accrual	-	-	250,000	250,000
Total miscellaneous	<u>64,350</u>	<u>64,350</u>	<u>308,700</u>	<u>244,350</u>
EDUCATION	<u>36,270,035</u>	<u>36,270,035</u>	<u>36,248,784</u>	<u>(21,251)</u>
CAPITAL OUTLAY	<u>524,500</u>	<u>524,500</u>	<u>215,776</u>	<u>(308,724)</u>
DEBT SERVICE				
Redemption of debt - principal	3,091,570	3,091,570	3,091,570	-
Interest payments	1,413,341	1,383,141	1,382,538	(603)
Total debt service	<u>4,504,911</u>	<u>4,474,711</u>	<u>4,474,108</u>	<u>(603)</u>
Total expenditures	<u>54,938,175</u>	<u>55,449,752</u>	<u>55,363,493</u>	<u>(86,259)</u>
OTHER FINANCING USES				
Transfers out	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other financing uses	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total expenditures other financing uses	<u>\$ 54,968,175</u>	<u>\$ 55,479,752</u>	<u>\$ 55,393,493</u>	<u>\$ (86,259)</u>

(Concluded)

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2011**

Grand List Year	Balance Uncollected June 30, 2010	Current Levy	Lawful Corrections		Transfers To Suspend	Balance To Be Collected	Collections		Total	Balance Uncollected June 30, 2011
			Additions	Deductions			Taxes	Interest, Liens and Fees		
1995 and prior	\$ 30,030	\$ -	\$ -	\$ 14,678	\$ -	\$ 15,352	\$ -	\$ -	\$ -	\$ 15,352
1996	15,107	-	-	513	-	14,594	-	-	-	14,594
1997	21,124	-	-	531	-	20,593	-	-	-	20,593
1998	21,530	-	-	542	-	20,988	-	-	-	20,988
1999	18,256	-	-	550	-	17,706	989	1,508	2,497	16,717
2000	21,153	-	-	566	-	20,587	2,036	3,261	5,297	18,551
2001	24,623	-	-	686	-	23,937	2,020	2,868	4,888	21,917
2002	26,490	-	-	760	-	25,730	2,349	2,968	5,317	23,381
2003	35,914	-	-	777	127	35,010	2,264	2,401	4,665	32,746
2004	50,948	-	-	852	397	49,699	8,452	6,993	15,445	41,247
2005	132,695	-	-	938	68,340	63,417	14,143	10,443	24,586	49,274
2006	153,620	-	-	1,903	3,155	148,562	54,541	29,446	83,987	94,021
2007	249,130	-	130	3,039	3,482	242,739	111,374	46,587	157,961	131,365
2008	593,082	-	1,821	7,621	3,330	583,952	326,501	73,231	399,732	257,451
2009	-	33,817,048	99,764	58,452	-	33,858,360	33,200,666	153,753	33,354,419	657,694
	\$ 1,393,702	\$ 33,817,048	\$ 101,715	\$ 92,408	\$ 78,831	\$ 35,141,226	\$ 33,725,335	\$ 333,459	\$ 34,058,794	\$ 1,415,891

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**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2011**

Total cash collections for the year ended
June 30, 2011:

Taxes	\$ 33,725,335
Interest and lien fees	333,459
Total	34,058,794
Reimbursement for revenue loss:	
Tax relief for elderly (CGS 12-129d)	-
Base	34,058,794

	General Purposes	Schools	Sewers	Urban Renewal *	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 76,632,287	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	153,264,573	-	-	-
3-3/4 times base	-	-	127,720,478	-	-
3-1/4 times base	-	-	-	110,691,081	-
3 times base	-	-	-	-	102,176,382
Total debt limitation	76,632,287	153,264,573	127,720,478	110,691,081	102,176,382
Indebtedness:					
Bonds payable	24,625,800	13,571,800	1,777,400	-	-
Authorized but unissued bonds	6,800,000	7,900,500	1,500,000	-	-
Total indebtedness	31,425,800	21,472,300	3,277,400	-	-
Less: assessments receivable	358,906	-	-	-	-
Less: School construction grants receivable	-	1,415,441	-	-	-
Net indebtedness	31,066,894	20,056,859	3,277,400	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 45,565,393	\$ 133,207,714	\$ 124,443,078	\$ 110,691,081	\$ 102,176,382
Total capacity of borrowing (7 times base)	\$ 238,411,558				
Total present indebtedness	54,401,153				
Margin for additional borrowing	\$ 184,010,405				

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE II
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ended June 30,	Uncollected Assessments July 1, 2010	Corrections			Adjusted Assessments Collectible	Assessments Collected	Collections		Total	Uncollected Assessments June 30, 2011
		Additions	Deductions	Interest and Lien Fees			Fees			
2002	\$ 3,274,736	\$ 61	\$ 1,424	\$ 3,273,373	\$ 422,036	\$ 258,863	\$ 680,899	\$ 2,851,337		
2003	2,851,337	-	4,108	2,847,229	466,519	297,766	764,285	2,380,710		
2004	2,380,710	65	3,584	2,377,191	323,598	165,781	489,379	2,053,593		
2005	2,053,593	218	-	2,053,811	299,662	1,245,690	1,545,352	1,754,149		
2006	1,754,149	24	46,244	1,707,929	367,903	225,632	593,535	1,340,026		
2007	1,340,026	142	-	1,340,168	260,239	91,784	352,023	1,079,929		
2008	1,079,929	-	2,702	1,077,227	211,382	74,600	285,982	865,845		
2009	865,845	-	4,248	861,597	184,117	64,108	248,225	677,480		
2010	677,480	142	175	677,447	189,341	41,507	230,848	488,106		
2011	488,106	20	-	488,126	154,173	31,885	186,058	333,953		
	\$ 16,765,911	\$ 672	\$ 62,485	\$ 16,704,098	\$ 2,878,970	\$ 2,497,616	\$ 5,376,586	\$ 333,953		

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE IIA
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ended June 30,	Uncollected Assessments July 1, 2010	Corrections		Adjusted Assessments Collectible	Assessments Collected	Collections		Total	Uncollected Assessments June 30, 2011
		Additions	Deductions			Interest and Lien Fees			
2002	\$ 203,539	-	\$ -	\$ 203,539	\$ 22,693	\$ 15,208	\$ 37,901	\$ 180,846	
2003	180,846	-	-	180,846	20,749	11,254	32,003	160,097	
2004	160,097	-	-	160,097	22,840	11,871	34,711	137,257	
2005	137,257	-	-	137,257	17,092	8,130	25,222	120,165	
2006	120,165	-	-	120,165	23,957	21,204	45,161	96,208	
2007	96,208	-	-	96,208	16,881	6,830	23,711	79,327	
2008	79,327	-	-	79,327	20,622	9,200	29,822	58,705	
2009	58,705	-	-	58,705	13,176	3,462	16,638	45,529	
2010	45,529	-	-	45,529	11,755	2,347	14,102	33,774	
2011	33,774	-	-	33,774	18,367	11,218	29,585	15,407	
	<u>\$ 1,115,447</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 1,115,447</u>	<u>\$ 188,132</u>	<u>\$ 100,724</u>	<u>\$ 288,856</u>		

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ended June 30,	Uncollected Assessments July 1, 2010	Corrections		Adjusted Assessments Collectible	Assessments Collected	Collections		Total	Uncollected Assessments June 30, 2011
		Additions	Deductions			Interest and Lien Fees	Fees		
2002	\$ 154,830.00	\$ -	\$ -	\$ 154,830	\$ 25,828	\$ 25,551	\$ 51,379	\$ 129,002	
2003	129,002	-	-	129,002	77,303	52,540	129,843	51,699	
2004	51,699	-	-	51,699	16,625	6,249	22,874	35,074	
2005	35,074	-	8,261	26,813	1,388	1,098	2,486	25,425	
2006	25,425	3	-	25,428	22,489	31,541	54,030	2,939	
2007	2,939	-	-	2,939	66	5	71	2,873	
2008	2,873	-	-	2,873	-	-	-	2,873	
2009	2,873	-	-	2,873	-	-	-	2,873	
2010	2,873	-	-	2,873	-	-	-	2,873	
2011	2,873	-	-	2,873	-	-	-	2,873	
	\$ 410,461	\$ 3	\$ 8,261	\$ 402,203	\$ 143,699	\$ 116,984	\$ 260,683	\$ 2,873	

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS- PHASE IV
FOR THE YEAR ENDED JUNE 30, 2011**

Year Ended June 30,	Uncollected Assessments July 1, 2010	Corrections		Adjusted Assessments Collectible	Assessments Collected	Collections		Uncollected Assessments June 30, 2011
		Additions	Deductions			Interest and Lien Fees	Total	
2002	\$ 154,119	\$ -	-	\$ 154,119	\$ 15,255	\$ 7,520	\$ 22,775	\$ 138,864
2003	138,864	-	-	138,864	18,057	5,775	23,832	120,807
2004	120,807	-	-	120,807	11,026	4,686	15,712	109,781
2005	109,781	-	-	109,781	12,041	4,836	16,877	97,740
2006	97,740	-	14,521	83,219	26,527	13,500	40,027	56,692
2007	56,692	-	-	56,692	10,359	2,638	12,997	46,333
2008	46,333	-	-	46,333	8,714	1,896	10,610	37,619
2009	37,619	-	-	37,619	12,898	1,829	14,727	24,721
2010	24,721	-	-	24,721	8,811	1,720	10,531	15,910
2011	15,910	82	-	15,992	9,319	1,528	10,847	6,673
	<u>\$ 802,586</u>	<u>82</u>	<u>\$ 14,521</u>	<u>\$ 788,147</u>	<u>\$ 133,007</u>	<u>\$ 45,928</u>	<u>\$ 178,935</u>	

*Nonmajor
Governmental
Funds*

**TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Nonmajor Special Revenue Funds						
	Town Aid Road Fund	Hot Lunch Program Fund	Special Education Grants Fund	Social Services Fund	Youth Service Bureau Fund	Learn Not to Burn Fund	
ASSETS							
Cash and cash equivalents	\$ -	\$ 190,259	\$ 80,992	\$ -	\$ -	\$ -	\$ -
Receivables:							
Intergovernmental	-	72,369	-	18,782	-	-	-
Other	-	5,112	-	-	-	-	-
Due from other funds	5,250	-	-	147,828	12,442	-	559
Inventories	-	20,053	-	-	-	-	-
Total assets	<u>\$ 5,250</u>	<u>\$ 287,793</u>	<u>\$ 80,992</u>	<u>\$ 166,610</u>	<u>\$ 12,442</u>	<u>\$ -</u>	<u>\$ 559</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 8,694	\$ -	\$ 2,002	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Unearned/deferred revenue	-	-	80,992	-	-	-	-
Total liabilities	<u>-</u>	<u>8,694</u>	<u>80,992</u>	<u>2,002</u>	<u>1,683</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Nonspendable:							
Inventory	-	20,053	-	-	-	-	-
Restricted for:							
Grant program purposes	5,250	-	-	-	-	-	-
External	-	-	-	-	-	-	559
Committed to:							
Education	-	259,046	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Other governmental purposes	-	-	-	164,608	10,759	-	-
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>5,250</u>	<u>279,099</u>	<u>-</u>	<u>164,608</u>	<u>10,759</u>	<u>-</u>	<u>559</u>
Total liabilities and fund balances	<u>\$ 5,250</u>	<u>\$ 287,793</u>	<u>\$ 80,992</u>	<u>\$ 166,610</u>	<u>\$ 12,442</u>	<u>\$ -</u>	<u>\$ 559</u>

(Continued)

**TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2011**

	Nonmajor Special Revenue Funds			Nonmajor Capital Project Funds	
	Town Historic Preservation Fund	Police Donations Fund	Parks and Recreation Fund	LOCIP Fund	Capital Nonrecurring Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 259,914
Receivables:					
Intergovernmental	-	-	-	437,440	-
Other	-	-	-	-	-
Due from other funds	5,330	1,365	14,722	-	252,531
Inventories	-	-	-	-	-
Total assets	\$ 5,330	\$ 1,365	\$ 14,722	\$ 437,440	\$ 512,445
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 6,824	\$ -	\$ 8,791
Due to other funds	-	-	-	365,583	165,987
Unearned/deferred revenue	-	-	-	-	-
Total liabilities	-	-	6,824	365,583	174,778
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	-	-
Restricted for:					
Grant program purposes	-	-	-	71,857	-
External	-	1,365	-	-	-
Committed to:					
Education	-	-	-	-	-
Recreation	-	-	7,898	-	-
Other governmental purposes	5,330	-	-	-	-
Capital projects	-	-	-	-	337,667
Unassigned	-	-	-	-	-
Total fund balances	5,330	1,365	7,898	71,857	337,667
Total liabilities and fund balances	\$ 5,330	\$ 1,365	\$ 14,722	\$ 437,440	\$ 512,445

(Continued)

**TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2011**

	Nonmajor Capital Project Funds					
	Capital Projects Fund	Palmertown Water Project Phase 2 Fund	Bonded Fund	Black Ash Swamp Road Fund	Open Space Fund	Community Center Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 44,107	\$ -	\$ -
Receivables:						
Intergovernmental	-	289,227	-	-	-	40,724
Other	-	-	-	-	-	-
Due from other funds	232,391	-	-	1,798	5,000	11,194
Inventories	-	-	-	-	-	-
Total assets	\$ 232,391	\$ 289,227	\$ -	\$ 45,905	\$ 5,000	\$ 51,918
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 54,519	\$ 172,033	\$ -	\$ -	\$ -	\$ 51,918
Due to other funds	-	117,194	-	-	-	-
Unearned/deferred revenue	-	-	-	-	-	-
Total liabilities	\$ 54,519	\$ 289,227	\$ -	\$ -	\$ -	\$ 51,918
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	-	-
Restricted for:						
Grant program purposes	-	-	-	-	-	-
External	-	-	-	-	-	-
Committed to:						
Education	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Other governmental purposes	-	-	-	-	-	-
Capital projects	177,872	-	-	45,905	5,000	-
Unassigned	-	-	-	-	-	-
Total fund balances	\$ 177,872	\$ -	\$ -	\$ 45,905	\$ 5,000	\$ -
Total liabilities and fund balances	\$ 232,391	\$ 289,227	\$ -	\$ 45,905	\$ 5,000	\$ 51,918

(Continued)

**TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Concluded)
JUNE 30, 2011**

	Nonmajor Capital Project Funds						Total Nonmajor Governmental Funds
	Bridges Fund	Sewer SEP Fund	Public Safety Building Fund	Energy Efficiency Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 304,021	\$ 575,272	
Receivables:							
Intergovernmental	84,608	-	-	70,500	922,499	1,013,650	
Other	-	-	-	-	-	5,112	
Due from other funds	-	212,835	-	-	715,749	903,245	
Inventories	-	-	-	-	-	20,053	
Total assets	\$ 84,608	\$ 212,835	\$ -	\$ 70,500	\$ 1,942,269	\$ 2,517,332	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 559	\$ 22,676	\$ 40,784	\$ -	\$ 351,280	\$ 370,483	
Due to other funds	82,627	-	319,552	70,500	1,121,443	1,121,443	
Unearned/deferred revenue	-	-	-	-	-	80,992	
Total liabilities	\$ 83,186	\$ 22,676	\$ 360,336	\$ 70,500	\$ 1,472,723	\$ 1,572,918	
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	20,053	
Restricted for:							
Grant program purposes	1,422	-	-	-	73,279	78,529	
External	-	-	-	-	-	1,924	
Committed to:							
Education	-	-	-	-	-	259,046	
Recreation	-	-	-	-	-	7,898	
Other governmental purposes	-	-	-	-	-	180,697	
Capital projects	-	190,159	-	-	756,603	756,603	
Unassigned	-	-	(360,336)	-	(360,336)	(360,336)	
Total fund balances	1,422	190,159	(360,336)	-	469,546	944,414	
Total liabilities and fund balances	\$ 84,608	\$ 212,835	\$ -	\$ 70,500	\$ 1,942,269	\$ 2,517,332	

(Concluded)

**TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Nonmajor Special Revenue Funds					
	Town Aid Road Fund	Hot Lunch Program Fund	Special Education Grants Fund	Social Services Fund	Youth Service Bureau Fund	Learn Not to Burn Fund
REVENUES						
Intergovernmental	\$ 165,516	\$ 461,370	\$ 1,639,443	\$ 93,908	\$ -	\$ -
Charges for services	-	479,712	-	15,426	18,562	-
Donations	-	-	-	60,836	-	450
Interest income	-	-	-	-	-	-
Total revenues	<u>165,516</u>	<u>941,082</u>	<u>1,639,443</u>	<u>170,170</u>	<u>18,562</u>	<u>450</u>
EXPENDITURES						
Current:						
General government	-	-	-	121,887	19,648	350
Public works	125,127	-	-	-	-	-
Education	-	1,010,173	1,639,443	-	-	-
Recreation and leisure	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Debt service:						
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>125,127</u>	<u>1,010,173</u>	<u>1,639,443</u>	<u>121,887</u>	<u>19,648</u>	<u>350</u>
Excess (deficiency) of revenues over expenditures	40,389	(69,091)	-	48,283	(1,086)	100
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(166,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(166,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(125,611)	(69,091)	-	48,283	(1,086)	100
Fund balances (deficit) - beginning, as restated (See Note 13)	130,861	348,190	-	116,325	11,845	459
Fund balances - ending	<u>\$ 5,250</u>	<u>\$ 279,099</u>	<u>\$ -</u>	<u>\$ 164,608</u>	<u>\$ 10,759</u>	<u>\$ 559</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Special Revenue Funds		Nonmajor Special Revenue Funds		Nonmajor Special Revenue Funds		Nonmajor Capital Project Funds	
	Town Historic Preservation Fund	Police Donations Fund	Parks and Recreation Fund	Total Special Revenue Funds	LOCIP Fund	Nonrecurring Fund	Capital Fund	Nonrecurring Fund
REVENUES								
Intergovernmental	\$ 3,000	\$ -	\$ -	\$ 2,363,237	\$ 602,119	\$ -	\$ -	\$ -
Charges for services	5,960	-	21,018	540,678	8,940	-	-	-
Donations	-	130	-	61,416	-	-	-	-
Interest income	-	-	-	-	-	-	363	-
Total revenues	8,960	130	21,018	2,965,331	611,059	-	363	363
EXPENDITURES								
Current:								
General government	17,424	-	-	159,309	-	-	-	-
Public works	-	-	-	125,127	-	-	-	-
Education	-	-	-	2,649,616	-	-	-	-
Recreation and leisure	-	-	18,286	18,286	-	-	-	-
Capital outlays	-	-	-	-	435,350	-	37,284	-
Debt service:								
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	17,424	-	18,286	2,952,338	435,350	-	37,284	-
Excess (deficiency) of revenues over expenditures	(8,464)	130	2,732	12,993	175,709	(36,921)	(30,000)	(36,921)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	30,000	-
Transfers out	-	-	-	(166,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	(166,000)	-	-	30,000	-
Net change in fund balances	(8,464)	130	2,732	(153,007)	175,709	(6,921)	(6,921)	(6,921)
Fund balances (deficit) - beginning, as restated (See Note 13)	13,794	1,235	5,166	627,875	(103,852)	344,588	344,588	344,588
Fund balances - ending	\$ 5,330	\$ 1,365	\$ 7,898	\$ 474,868	\$ 71,857	\$ 337,667	\$ 337,667	\$ 337,667

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Capital Project Funds					
	Capital Projects Funds	Palmerstown Water Project Phase 2 Fund	Bonded Fund	Black Ash Swamp Road Fund	Open Space Fund	Community Center Fund
REVENUES						
Intergovernmental	\$ -	\$ 384,458	\$ -	\$ -	\$ -	\$ 140,724
Charges for services	-	-	-	-	-	-
Donations	-	-	-	-	-	-
Interest income	-	-	-	62	-	-
Total revenues	-	384,458	-	62	-	140,724
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Education	-	-	-	-	-	-
Recreation and leisure	-	-	-	-	-	-
Capital outlays	69,788	274,668	-	-	-	126,113
Debt service:						
Interest and fiscal charges	-	-	122,844	-	-	-
Total expenditures	69,788	274,668	122,844	-	-	126,113
Excess (deficiency) of revenues over expenditures	(69,788)	109,790	(122,844)	62	-	14,611
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(69,788)	109,790	(122,844)	62	-	14,611
Fund balances (deficit) - beginning, as restated (See Note 13)	247,660	(109,790)	122,844	45,843	5,000	(14,611)
Fund balances - ending	\$ 177,872	\$ -	\$ -	\$ 45,905	\$ 5,000	\$ -

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Concluded)
FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Capital Project Funds						Total Nonmajor Governmental Funds
	Bridges Fund	Sewer SEP Fund	Public Safety Building Fund	Energy Efficiency Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds	
REVENUES							
Intergovernmental	\$ 934,567	\$ -	\$ -	\$ 70,500	\$ 2,132,368	\$ 4,495,605	
Charges for services	-	-	600	-	9,540	550,218	
Donations	-	-	-	-	-	61,416	
Interest income	-	-	-	-	425	425	
Total revenues	<u>934,567</u>	<u>-</u>	<u>600</u>	<u>70,500</u>	<u>2,142,333</u>	<u>5,107,664</u>	
EXPENDITURES							
Current:							
General government	-	-	-	-	-	159,309	
Public works	-	-	-	-	-	125,127	
Education	-	-	-	-	-	2,649,616	
Recreation and leisure	-	-	-	-	-	18,286	
Capital outlays	872,286	34,841	360,936	35,250	2,246,516	2,246,516	
Debt service:							
Interest and fiscal charges	-	-	-	-	122,844	122,844	
Total expenditures	<u>872,286</u>	<u>34,841</u>	<u>360,936</u>	<u>35,250</u>	<u>2,369,360</u>	<u>5,321,698</u>	
Excess (deficiency) of revenues over expenditures	62,281	(34,841)	(360,336)	35,250	(227,027)	(214,034)	
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	30,000	30,000	
Transfers out	-	-	-	-	-	(166,000)	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>(136,000)</u>	
Net change in fund balances	62,281	(34,841)	(360,336)	35,250	(197,027)	(350,034)	
Fund balances (deficit) - beginning, as restated (See Note 13)	(60,859)	225,000	-	(35,250)	666,573	1,294,448	
Fund balances - ending	<u>\$ 1,422</u>	<u>\$ 190,159</u>	<u>\$ (360,336)</u>	<u>\$ -</u>	<u>\$ 469,546</u>	<u>\$ 944,414</u>	

(Concluded)

*Fiduciary
Funds*

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011

	<u>Student Activities</u>	<u>Performance Bonds</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 225,783	\$ 345,070	\$ 570,853
Investments	33,297	-	33,297
Total assets	<u>\$ 259,080</u>	<u>\$ 345,070</u>	<u>\$ 604,150</u>
LIABILITIES			
Due to student groups	\$ 259,080	\$ -	\$ 259,080
Due to others	-	345,070	345,070
Total liabilities	<u>\$ 259,080</u>	<u>\$ 345,070</u>	<u>\$ 604,150</u>

**TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2011</u>
Student Activities				
Assets				
Cash and cash equivalents	\$ 234,607	\$ 655,084	\$ 663,908	\$ 225,783
Investments	-	33,297	-	33,297
Total assets	<u>\$ 234,607</u>	<u>\$ 688,381</u>	<u>\$ 663,908</u>	<u>\$ 259,080</u>
Liabilities				
Due to student groups	\$ 234,607	\$ 688,381	\$ 663,908	\$ 259,080
Total liabilities	<u>\$ 234,607</u>	<u>\$ 688,381</u>	<u>\$ 663,908</u>	<u>\$ 259,080</u>
Performance Bonds				
Assets				
Cash and cash equivalents	\$ 161,323	\$ 237,247	\$ 53,500	\$ 345,070
Total assets	<u>\$ 161,323</u>	<u>\$ 237,247</u>	<u>\$ 53,500</u>	<u>\$ 345,070</u>
Liabilities				
Due to others	\$ 161,323	\$ 237,247	\$ 53,500	\$ 345,070
Total liabilities	<u>\$ 161,323</u>	<u>\$ 237,247</u>	<u>\$ 53,500</u>	<u>\$ 345,070</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 395,930	\$ 892,331	\$ 717,408	\$ 570,853
Investments	-	33,297	-	33,297
Total assets	<u>\$ 395,930</u>	<u>\$ 925,628</u>	<u>\$ 717,408</u>	<u>\$ 604,150</u>
Liabilities				
Due to student groups	\$ 234,607	\$ 688,381	\$ 663,908	\$ 259,080
Due to others	161,323	237,247	53,500	345,070
Total liabilities	<u>\$ 395,930</u>	<u>\$ 925,628</u>	<u>\$ 717,408</u>	<u>\$ 604,150</u>