

Basic Financial Statements, Supplementary Information
and Report of Independent Certified Public Accountants

Town of Montville, Connecticut

June 30, 2012

Contents

| | Page |
|---|------|
| Report of Independent Certified Public Accountants | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 18 |
| Statement of Activities | 19 |
| Governmental Fund Financial Statements: | |
| Balance Sheet | 20 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 22 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 23 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund | 24 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Assets | 25 |
| Statement of Revenues, Expenses and Changes in Net Assets | 26 |
| Statement of Cash Flows | 27 |
| Fiduciary Fund Financial Statements: | |
| Statement of Fiduciary Net Assets | 28 |
| Statement of Changes in Fiduciary Net Assets | 29 |
| Notes to the Financial Statements | 30 |

Contents *(Continued)*

| | Page |
|--|------|
| Required Supplementary Information: | |
| Schedule of Funding Progress | 58 |
| Combining and Individual Fund Statements and Schedules: | |
| Governmental Funds: | |
| General Fund: | |
| Schedule of Revenues and Other Financing Sources - Budget and Actual - Budgetary Basis | 59 |
| Schedule of Expenditures and Other Financing Uses - Budget and Actual - Budgetary Basis | 61 |
| Schedule of Property Taxes Levied, Collected and Outstanding | 66 |
| Schedule of Debt Limitation | 67 |
| Schedule of Uncollected Sewer Benefit Assessments – Phase II | 68 |
| Schedule of Uncollected Sewer Benefit Assessments – Phase IIA | 69 |
| Schedule of Uncollected Water Benefit Assessments | 70 |
| Schedule of Uncollected Water Benefit Assessments – Phase IV | 71 |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 72 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 76 |
| Fiduciary Funds: | |
| Agency Funds: | |
| Combining Statement of Fiduciary Assets and Liabilities | 80 |
| Combining Statement of Changes in Fiduciary Assets and Liabilities | 81 |

Independent
Auditors' Report



Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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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, 2012, 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 audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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, 2012, and the respective changes in financial position, and cash flows, where applicable, 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 February 28, 2013 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 effectiveness of the Town's 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 17 and the schedule of funding progress on page 58 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures 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 basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Glastonbury, Connecticut
February 28, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$122,517,881 (net assets). Of this amount, \$20,927,595 represents unrestricted net assets. Of this amount, \$6,161,909 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 \$5,815,457 during the current fiscal year, which consisted of a current year increase of \$4,678,430 relating to the Town's governmental activities and \$1,137,027 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 \$7,686,528, a current year increase of \$6,197,961 in comparison with the prior year. Of this amount, there was a current year decrease of \$125,611 in the General Fund, an increase of \$3,990,813 in the Bonded Projects Fund, an increase of \$2,461,213 in the Public Safety Building Fund, and a current year decrease of \$128,454 in the other governmental funds.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$2,511,215 or 4.3% of total general fund expenditures and net other financing sources. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 0.5 months of general fund operating expenditures.
- The Town's total long-term bonded debt (governmental and business-type activities combined) increased by \$9,007,001 or 22.5% during the current fiscal year as a result of bond anticipation notes received less 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.

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 18 and 19 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 20 - 24 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 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 - 56 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 58 and 59 - 81 of this report, respectively.

TOWN OF MONTVILLE, CONNECTICUT
 Management's Discussion and Analysis (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

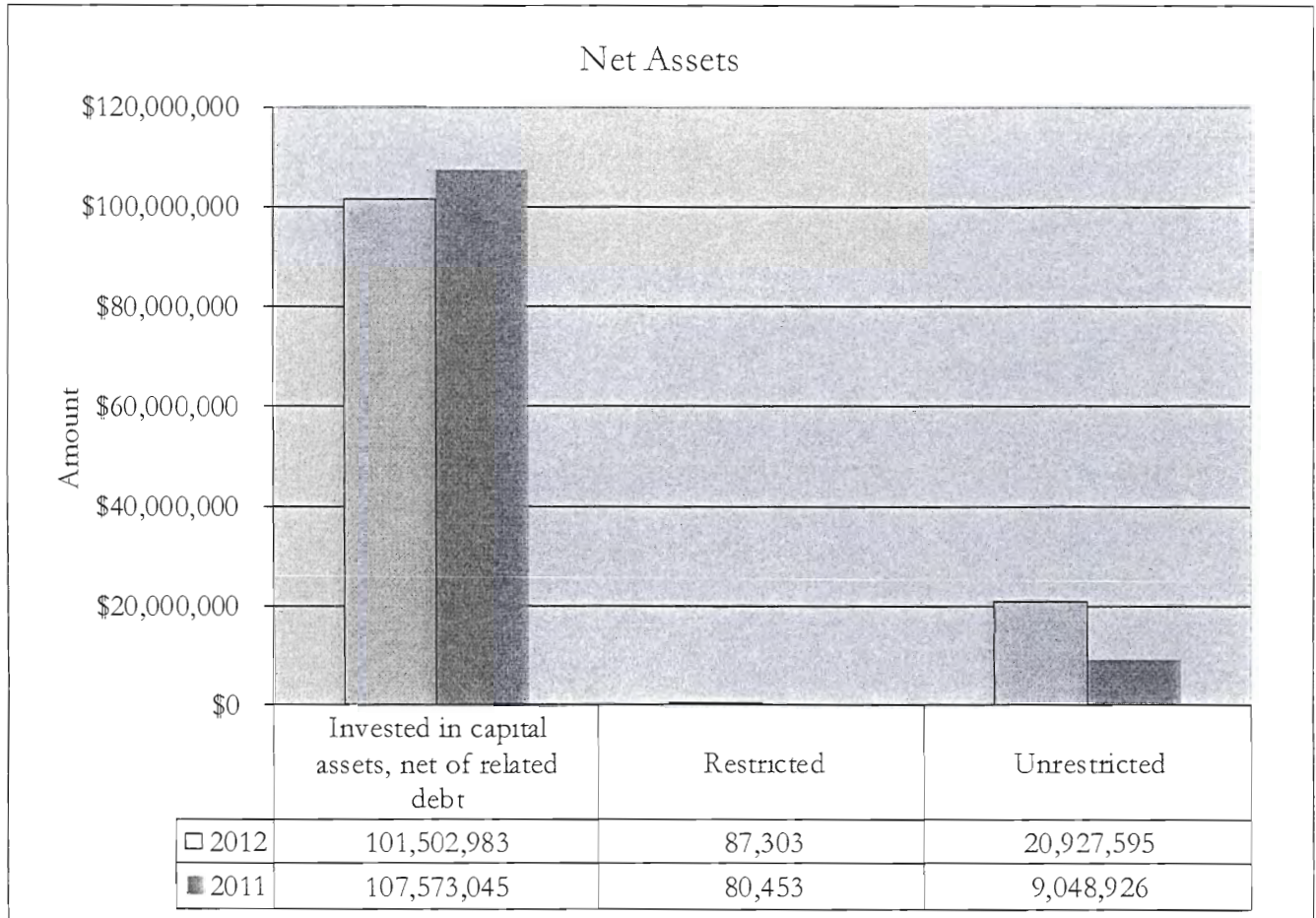
Over time, net assets may serve as one measure of a government's financial position. Total net assets of the Town (governmental and business type activities combined) totaled \$122,517,881 and \$116,702,424 as of June 30, 2012 and 2011 and are summarized as follows:

| Town of Montville, Connecticut | | | |
|---|----------------------------|-----------------------------|-----------------------|
| Net Assets | | | |
| June 30, 2012 | | | |
| | Governmental Activities | Business-type Activities | Total |
| Current and other assets | \$ 21,188,693 | \$ 6,342,719 | \$ 27,531,412 |
| Capital assets | 95,724,553 | 56,914,955 | 152,639,508 |
| Total assets | <u>116,913,246</u> | <u>63,257,674</u> | <u>180,170,920</u> |
| Other liabilities | 3,525,351 | 137,615 | 3,662,966 |
| Long-term liabilities | 48,831,467 | 5,158,606 | 53,990,073 |
| Total liabilities | <u>52,356,818</u> | <u>5,296,221</u> | <u>57,653,039</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 49,703,439 | 51,799,544 | 101,502,983 |
| Restricted | 87,303 | - | 87,303 |
| Unrestricted | 14,765,686 | 6,161,909 | 20,927,595 |
| Total net assets | <u>\$ 64,556,428</u> | <u>\$ 57,961,453</u> | <u>\$ 122,517,881</u> |

| 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> |

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Assets (Continued)



As of June 30, 2012, 77.0% 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 \$5,815,457 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, 2012 and 2011 are as follows:

Town of Montville, Connecticut
Changes in Net Assets
For The Year Ended June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 2,566,479 | \$ 6,881,824 | \$ 9,448,303 |
| Operating grants and contributions | 20,345,602 | 277,659 | 20,623,261 |
| Capital grants and contributions | 1,917,057 | - | 1,917,057 |
| General revenues: | | | |
| Property taxes, levied for general purposes | 35,701,419 | - | 35,701,419 |
| Grants and contributions not restricted to specific programs | 3,448,145 | - | 3,448,145 |
| Income from investments | 49,380 | 6,524 | 55,904 |
| Total revenues | 64,028,082 | 7,166,007 | 71,194,089 |
| Expenses | | | |
| General government | 6,589,959 | - | 6,589,959 |
| Public works | 3,920,661 | - | 3,920,661 |
| Public safety | 3,668,232 | - | 3,668,232 |
| Health and welfare | 210,773 | - | 210,773 |
| Recreation and leisure | 348,135 | - | 348,135 |
| Education | 42,680,890 | - | 42,680,890 |
| Interest on long-term debt | 1,361,201 | - | 1,361,201 |
| Sewer department | - | 5,149,440 | 5,149,440 |
| Water department | - | 1,449,341 | 1,449,341 |
| Total expenses | 58,779,851 | 6,598,781 | 65,378,632 |
| Change in net assets before transfers | 5,248,231 | 567,226 | 5,815,457 |
| Transfers | (569,801) | 569,801 | - |
| Change in net assets | 4,678,430 | 1,137,027 | 5,815,457 |
| Net assets, beginning | 59,877,998 | 56,824,426 | 116,702,424 |
| Net assets, ending | \$ 64,556,428 | \$ 57,961,453 | \$ 122,517,881 |

TOWN OF MONTVILLE, CONNECTICUT
 Management's Discussion and Analysis (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

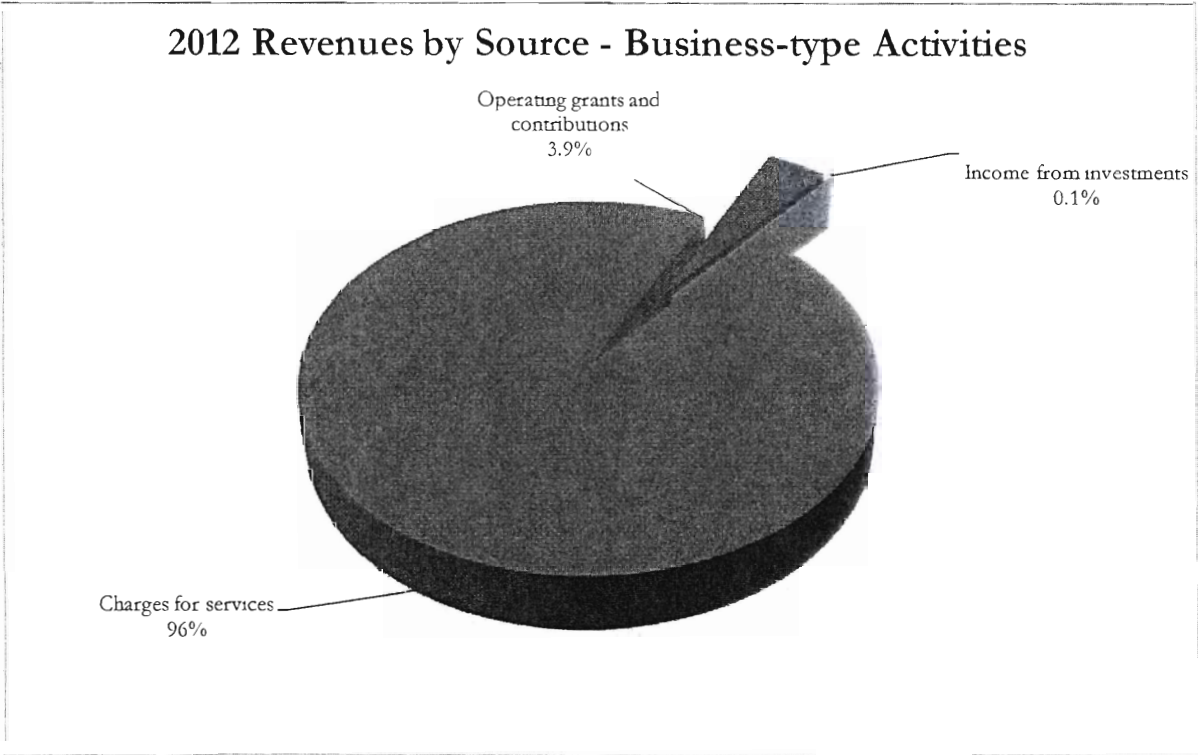
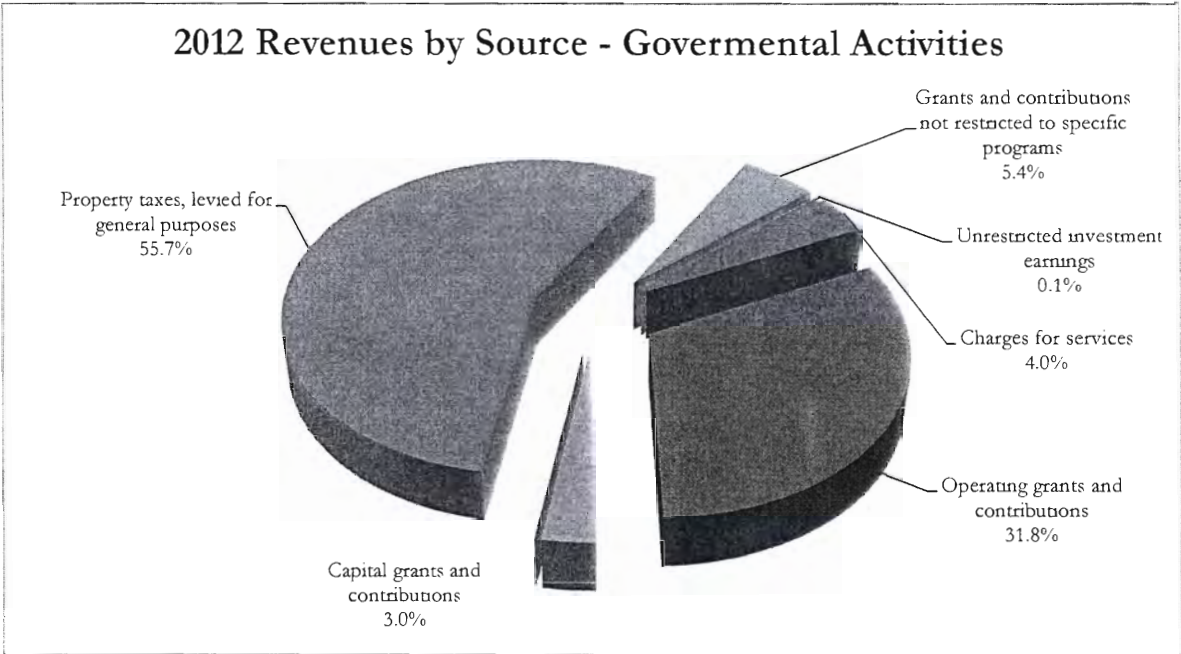
Change in Net Assets (Continued)

Town of Montville, Connecticut
 Changes in Net Assets
 For The Year Ended June 30, 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 prog | 3,121,870 | - | 3,121,870 |
| Income from investments | 45,906 | 1,431 | 47,337 |
| Total revenues | <u>63,853,843</u> | <u>5,944,632</u> | <u>69,798,475</u> |
| 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 | <u>61,235,513</u> | <u>6,708,804</u> | <u>67,944,317</u> |
| 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 | (146,099) | 187,056 | 40,957 |
| Net assets - beginning, as adjusted | <u>57,477,109</u> | <u>57,371,157</u> | <u>114,848,266</u> |
| Net assets, ending | <u>\$59,877,998</u> | <u>\$56,824,426</u> | <u>\$ 116,702,424</u> |

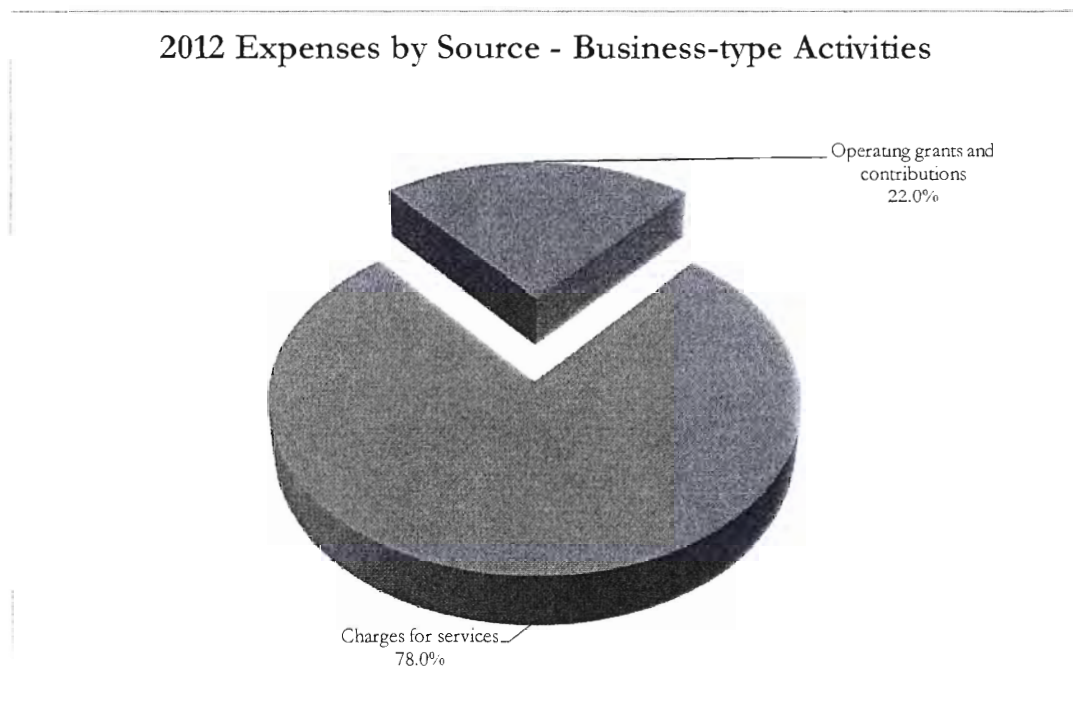
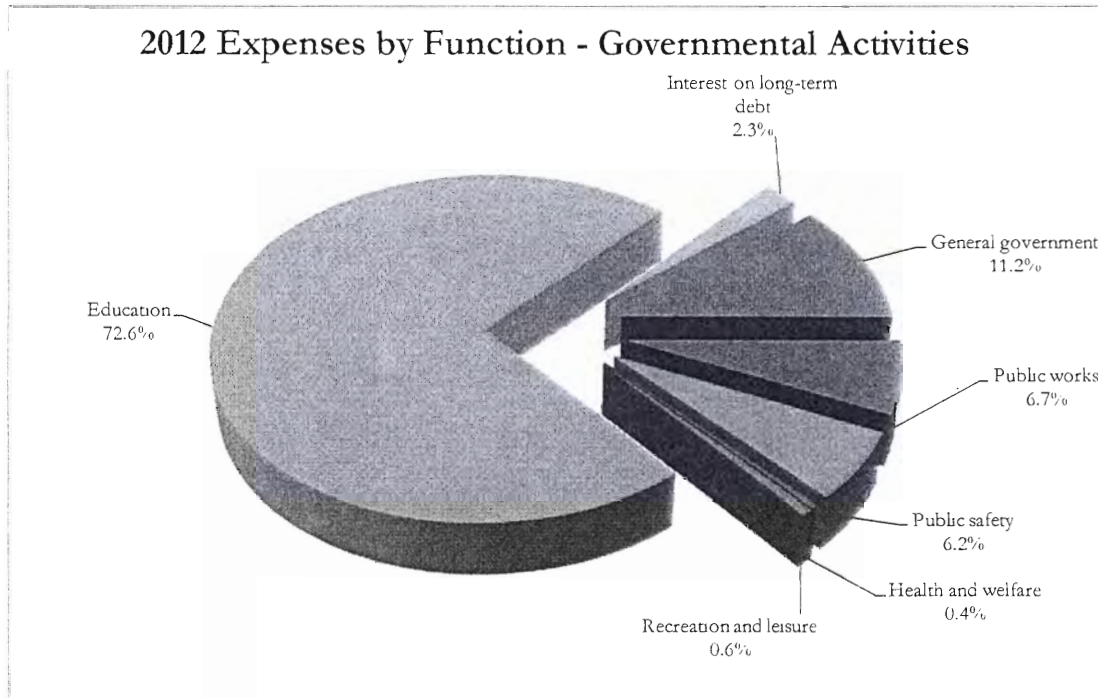
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets (Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets (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 \$4,678,430. This increase is mainly attributable to the current year fund activity, less the capital asset and debt activity for the current year.

Business-type Activities

Business-type activities increased the Town's net assets by a current year change of \$1,137,027. The current year increase was primarily caused by an increase in total revenues, as well as a net transfer in of \$569,801 from the General fund related to the transfer of capital assets.

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 \$7,686,528.

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 \$2,511,215. 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 4.3% of total general fund expenditures and transfers out. Expressed another way, unassigned fund balance for the general fund was sufficient to cover 0.5 months of general fund operating expenditures and transfers out.

The fund balance of the Town's general fund decreased by \$125,611 during the current fiscal year, which was primarily due to certain unfavorable revenue variances due to bankruptcy of a major taxpayer.

Bonded Projects Fund

The fund balance of the Bonded Projects Fund increased by \$3,990,813 during the current fiscal year. This increase was primarily due to proceeds received from bond anticipation notes.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Public Safety Building Fund

The fund balance of the Public Safety Building Fund increased by \$2,461,213 during the current fiscal year. This increase was primarily due to proceeds received from bond anticipation notes, offset by capital outlay expenditures for the construction of a public safety building.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was a decrease of \$866,223. Expenditures were \$768,185 less than budgeted, and total budgetary revenues were \$1,730,488 less than expected due primarily to an unfavorable variance in property taxes due to the bankruptcy of a major taxpayer and an unfavorable variance related to personal property audit revenue. During the year ended June 30, 2012, the Town Council approved additional appropriations of \$8,500 from fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2012 totaled \$152,639,508 (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 increase in the Town's investment in capital assets for the current fiscal year was \$2,722,114 or 1.8%. This increase consisted primarily of capital asset additions of approximately \$6.4 million, offset by depreciation expense of approximately \$3.7 million. Major capital asset events during the current fiscal year included the following:

- Outlays for construction of the public safety building in the amount of \$4,052,744.
- Tax foreclosure on property and buildings totaling \$229,130.
- Outlays for various building and improvements totaling \$875,625.
- Outlays for various machinery and equipment and vehicles totaling \$1,185,843, including the purchase of multiple police vehicles and school buses.

TOWN OF MONTVILLE, CONNECTICUT
 Management's Discussion and Analysis (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

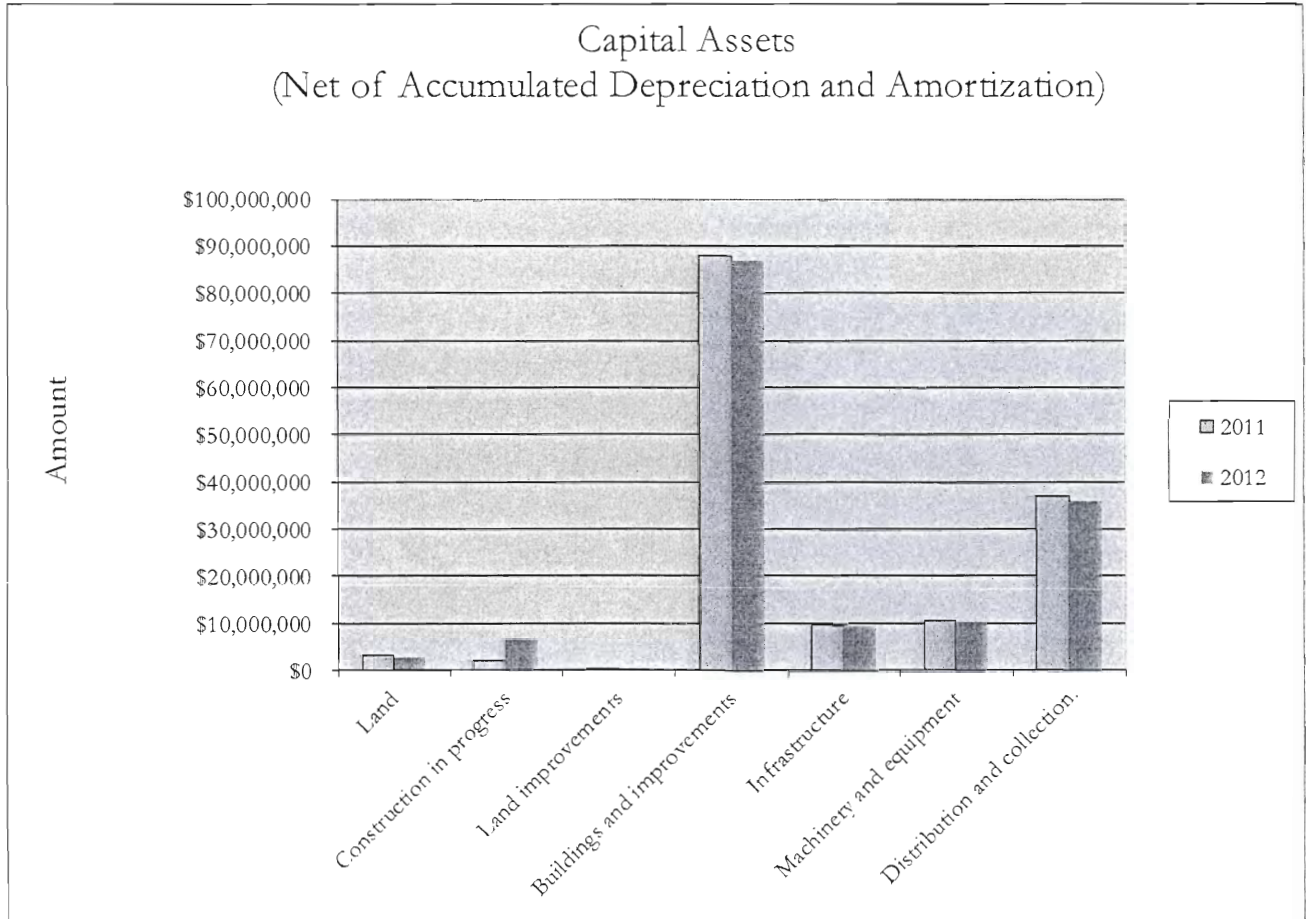
The following are tables of the investment in capital assets presented for both governmental and business-type activities:

| Town of Montville, Connecticut | | | |
|-------------------------------------|----------------------|----------------------|-----------------------|
| Capital Assets, Net | | | |
| June 30, 2012 | | | |
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| Land | \$ 1,717,448 | \$ 1,127,031 | \$ 2,844,479 |
| Construction in progress | 5,832,171 | 729,287 | 6,561,458 |
| Land improvements | 289,043 | - | 289,043 |
| Buildings and improvements | 73,894,008 | 13,163,581 | 87,057,589 |
| Infrastructure | 9,389,516 | - | 9,389,516 |
| Machinery and equipment | 4,602,367 | 5,825,034 | 10,427,401 |
| Distribution and collection systems | - | 36,070,022 | 36,070,022 |
| Totals | <u>\$ 95,724,553</u> | <u>\$ 56,914,955</u> | <u>\$ 152,639,508</u> |

| Town of Montville, Connecticut | | | |
|------------------------------------|----------------------|----------------------|-----------------------|
| Capital Assets, Net | | | |
| June 30, 2011 | | | |
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| 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 system | - | 36,840,065 | 36,840,065 |
| Totals | <u>\$ 92,027,760</u> | <u>\$ 57,889,634</u> | <u>\$ 149,917,394</u> |

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)



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

Long-term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$49,100,000. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt increased by \$9,007,001 or 22.5% during the current fiscal year due to the issuance of \$12,125,000 bond anticipation notes offset by the 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 \$237,242,467, which is significantly in excess of the Town's outstanding general obligation debt.

TOWN OF MONTVILLE, CONNECTICUT
 Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term Debt (Continued)

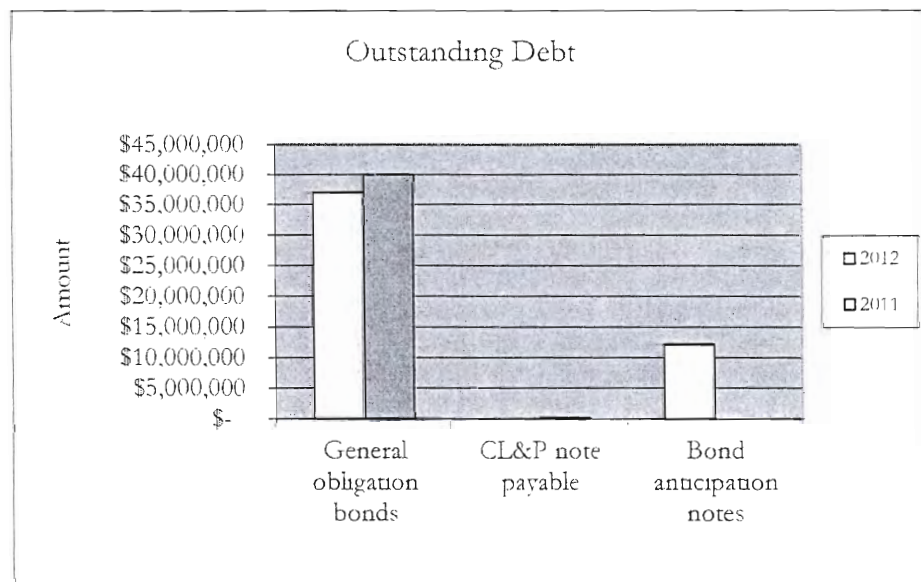
The following are tables of long-term bonded debt:

Town of Montville, Connecticut
 Long-term Debt
 June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|--------------------------|----------------------------|-----------------------------|---------------|
| General obligation bonds | \$ 35,552,600 | \$ 1,422,400 | \$ 36,975,000 |
| Bond anticipation notes | 10,625,000 | 1,500,000 | 12,125,000 |
| Totals | \$ 46,177,600 | \$ 2,922,400 | \$ 49,100,000 |

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 |



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

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 8.8% compared to the state's average unemployment rate of 8.1% and the national unemployment rate of 8.2%.
- Unassigned fund balance of the General Fund totals \$2,511,215 at June 30, 2012.
- 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 2013.

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, 2012

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 14,274,703 | \$ 4,081,651 | \$ 18,356,354 |
| Receivables: | | | |
| Property taxes, net of allowance for uncollectibles of \$225,000 | 2,442,962 | - | 2,442,962 |
| Interest on property taxes and assessments, net of allowance for uncollectibles of \$188,000 | 621,850 | - | 621,850 |
| Assessments and user charges receivable net allowance for uncollectibles of \$239,500 | 276,920 | 1,313,536 | 1,590,456 |
| Connection fees | - | 218,261 | 218,261 |
| Intergovernmental | 2,603,624 | - | 2,603,624 |
| Other | 102,451 | 57,479 | 159,930 |
| Internal balances | 728,674 | (728,674) | - |
| Inventories | 16,963 | - | 16,963 |
| Noncurrent assets: | | | |
| Receivables: | | | |
| Connection fees | - | 1,091,322 | 1,091,322 |
| Other | - | 296,881 | 296,881 |
| Deferred charges on bond issuance, net | 120,546 | 12,263 | 132,809 |
| Capital assets: | | | |
| Non-depreciable | 7,549,619 | 1,856,318 | 9,405,937 |
| Depreciable, net | 88,174,934 | 55,058,637 | 143,233,571 |
| Total assets | <u>116,913,246</u> | <u>63,257,674</u> | <u>180,170,920</u> |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 2,331,452 | 110,141 | 2,441,593 |
| Accrued liabilities: | | | |
| Salaries and benefits payable | 271,130 | - | 271,130 |
| Accrued interest | 433,613 | 27,474 | 461,087 |
| Claims payable | 437,172 | - | 437,172 |
| Unearned revenue | 51,984 | - | 51,984 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Bonds and note payable | 3,093,400 | 176,600 | 3,270,000 |
| Compensated absences | 346,900 | 8,639 | 355,539 |
| Contract payable | - | 218,261 | 218,261 |
| Early retirement incentive | 95,941 | - | 95,941 |
| Landfill postclosure | 19,000 | - | 19,000 |
| Due in more than one year: | | | |
| Bonds and note payable | 43,048,260 | 2,861,738 | 45,909,998 |
| Compensated absences | 1,387,638 | 34,556 | 1,422,194 |
| Contract payable | - | 1,858,812 | 1,858,812 |
| Early retirement incentive | 81,328 | - | 81,328 |
| Litigation and judgement | 550,000 | - | 550,000 |
| Landfill postclosure | 209,000 | - | 209,000 |
| Total liabilities | <u>52,356,818</u> | <u>5,296,221</u> | <u>57,653,039</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 49,703,439 | 51,799,544 | 101,502,983 |
| Restricted for: | | | |
| Grant program purposes | 84,649 | - | 84,649 |
| Other purposes | 2,654 | - | 2,654 |
| Unrestricted | 14,765,686 | 6,161,909 | 20,927,595 |
| Total net assets | <u>\$ 64,556,428</u> | <u>\$ 57,961,453</u> | <u>\$ 122,517,881</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, 2012

| 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 | \$ 6,589,959 | \$ 646,137 | \$ 955,601 | - | \$ (4,988,221) | \$ - | \$ (4,988,221) |
| Public safety | 3,920,661 | 228,602 | 167,145 | - | (3,524,914) | - | (3,524,914) |
| Public works | 3,668,232 | 445,424 | - | 1,473,874 | (1,748,934) | - | (1,748,934) |
| Health and welfare | 210,773 | - | - | - | (210,773) | - | (210,773) |
| Recreation and leisure | 348,135 | 160,268 | - | - | (187,867) | - | (187,867) |
| Education | 42,680,890 | 1,086,048 | 19,222,856 | 443,183 | (21,928,803) | - | (21,928,803) |
| Interest on long-term debt | 1,361,201 | - | - | - | (1,361,201) | - | (1,361,201) |
| Total governmental activities | 58,779,851 | 2,566,479 | 20,345,602 | 1,917,057 | (33,950,713) | - | (33,950,713) |
| Business-type activities: | | | | | | | |
| Sewer department | 5,149,440 | 5,657,998 | 277,659 | - | - | 786,217 | 786,217 |
| Water department | 1,449,341 | 1,223,826 | - | - | - | (225,515) | (225,515) |
| Total primary government | 6,598,781 | 6,881,824 | 277,659 | - | - | 560,702 | 560,702 |
| | \$ 65,378,632 | \$ 9,448,303 | \$ 20,623,261 | \$ 1,917,057 | (33,950,713) | 560,702 | (33,390,011) |
| General revenues: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 35,701,419 | - | 35,701,419 |
| Grants and contributions not restricted to specific programs | | | | | 3,448,145 | - | 3,448,145 |
| Income from investments | | | | | 49,380 | 6,524 | 55,904 |
| Total general revenues | | | | | 39,198,944 | 6,524 | 39,205,468 |
| Transfers | | | | | (569,801) | 569,801 | - |
| Total general revenues and transfers | | | | | 38,629,143 | 576,325 | 39,205,468 |
| Change in net assets | | | | | 4,678,430 | 1,137,027 | 5,815,457 |
| Net assets - beginning | | | | | 59,877,998 | 56,824,426 | 116,702,424 |
| Net assets - ending | | | | | \$ 64,556,428 | \$ 57,961,453 | \$ 122,517,881 |

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

TOWN OF MONTVILLE, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | General Fund | Bonded Projects Fund | Public Safety Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 13,480,733 | \$ - | \$ - | \$ 628,022 | \$ 14,108,755 |
| Receivables: | | | | | |
| Property taxes, net of allowance for doubtful accounts of \$225,000 | 2,442,962 | - | - | - | 2,442,962 |
| Interest on property taxes and assessments, net of allowance for uncollectibles of \$188,000 | 621,850 | - | - | - | 621,850 |
| Assessments receivable | 276,920 | - | - | - | 276,920 |
| Intergovernmental | 598,024 | 1,710,785 | - | 294,815 | 2,603,624 |
| Other | 100,043 | - | - | 2,408 | 102,451 |
| Due from other funds | 2,084,722 | - | 3,201,185 | 1,218,896 | 6,504,803 |
| Advances to other funds | 780,022 | - | - | - | 780,022 |
| Inventories | - | - | - | 16,963 | 16,963 |
| Total assets | <u>\$ 20,385,276</u> | <u>\$ 1,710,785</u> | <u>\$ 3,201,185</u> | <u>\$ 2,161,104</u> | <u>\$ 27,458,350</u> |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 1,115,259 | \$ - | \$ 1,100,308 | \$ 115,885 | \$ 2,331,452 |
| Accrued liabilities: | | | | | |
| Salaries and benefits payable | 271,130 | - | - | - | 271,130 |
| Due to other funds | 9,830,006 | 1,519,295 | - | 816,939 | 12,166,240 |
| Unearned/deferred revenue | 3,240,231 | 1,710,785 | - | 51,984 | 5,003,000 |
| Total liabilities | <u>14,456,626</u> | <u>3,230,080</u> | <u>1,100,308</u> | <u>984,808</u> | <u>19,771,822</u> |
| Fund Balances (deficit): | | | | | |
| Nonspendable: | | | | | |
| Advances to other funds | 780,022 | - | - | - | 780,022 |
| Inventory | - | - | - | 16,963 | 16,963 |
| Restricted for: | | | | | |
| Grant program purposes | - | - | - | 84,649 | 84,649 |
| External | - | - | - | 2,654 | 2,654 |
| Committed to: | | | | | |
| Education | - | - | - | 338,257 | 338,257 |
| Recreation | - | - | - | 13,998 | 13,998 |
| Capital projects | - | - | 2,100,877 | 639,420 | 2,740,297 |
| Other governmental purpose | - | - | - | 163,730 | 163,730 |
| Assigned to: | | | | | |
| Public safety | 33,100 | - | - | - | 33,100 |
| Education | 2,405,565 | - | - | - | 2,405,565 |
| General government | 172,011 | - | - | - | 172,011 |
| Public Works | 8,037 | - | - | - | 8,037 |
| Public Safety - Severance | 18,700 | - | - | - | 18,700 |
| Unassigned | 2,511,215 | (1,519,295) | - | (83,375) | 908,545 |
| Total fund balances (deficit) | <u>5,928,650</u> | <u>(1,519,295)</u> | <u>2,100,877</u> | <u>1,176,296</u> | <u>7,686,528</u> |
| Total liabilities and fund balances (deficit) | <u>\$ 20,385,276</u> | <u>\$ 1,710,785</u> | <u>\$ 3,201,185</u> | <u>\$ 2,161,104</u> | <u>\$ 27,458,350</u> |

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

TOWN OF MONTVILLE, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

| | | |
|--|----|--------------------------|
| Total fund balance for governmental funds | \$ | 7,686,528 |
| 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 | \$ | 1,717,448 |
| Construction in progress | | 5,832,171 |
| Land improvements | | 975,678 |
| Buildings and improvements | | 87,042,362 |
| Machinery and equipment | | 12,007,983 |
| Infrastructure | | 16,209,611 |
| Less accumulated depreciation and amortization | | <u>(28,060,700)</u> |
| Total capital assets, net | | 95,724,553 |
| 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>(27,819)</u> |
| Total bond issuance costs, net | | 120,546 |
| 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. | | |
| | | 3,240,231 |
| 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. | | |
| | | 1,710,785 |
| 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 | | (433,613) |
| Long-term debt: | | |
| Bonds and note payable, net | | (46,141,660) |
| Other long-term liabilities: | | |
| Compensated absences | | (1,734,538) |
| Early retirement incentive | | (177,269) |
| Litigation judgements | | (550,000) |
| Landfill closure | | <u>(228,000)</u> |
| Total long-term liabilities | | (49,265,080) |
| 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>5,338,865</u> |
| Net assets of governmental activities | \$ | <u><u>64,556,428</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, 2012

| | General Fund | Bonded Projects Fund | Public Safety Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 33,987,794 | \$ - | \$ - | \$ - | \$ 33,987,794 |
| Assessments | 191,189 | - | - | - | 191,189 |
| Intergovernmental | 17,493,109 | - | 710,557 | 2,891,203 | 21,094,869 |
| State on-behalf payments | 3,691,115 | - | - | - | 3,691,115 |
| Charges for services | 2,084,204 | - | 3,400 | 614,102 | 2,701,706 |
| Donations | - | - | - | 140,849 | 140,849 |
| Investment earnings | 49,314 | - | - | 42 | 49,356 |
| Total revenues | <u>57,496,725</u> | <u>-</u> | <u>713,957</u> | <u>3,646,196</u> | <u>61,856,878</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 6,214,106 | - | - | 173,482 | 6,387,588 |
| Public safety | 3,682,253 | - | - | - | 3,682,253 |
| Public works | 3,264,298 | - | - | 232,307 | 3,496,605 |
| Health and welfare | 212,596 | - | - | - | 212,596 |
| Recreation and leisure | 257,085 | - | - | 62,366 | 319,451 |
| Miscellaneous | 48,250 | - | - | - | 48,250 |
| State on-behalf payments | 3,691,115 | - | - | - | 3,691,115 |
| Education | 35,886,274 | - | - | 2,557,065 | 38,443,339 |
| Debt service: | | | | | |
| Principal payments | 2,762,999 | - | - | - | 2,762,999 |
| Interest and fiscal charges | 1,403,666 | - | - | - | 1,403,666 |
| Capital outlays | 328,026 | 9,187 | 4,052,744 | 1,574,430 | 5,964,387 |
| Total expenditures | <u>57,750,668</u> | <u>9,187</u> | <u>4,052,744</u> | <u>4,599,650</u> | <u>66,412,249</u> |
| Deficiency of revenues over expenditures | (253,943) | (9,187) | (3,338,787) | (953,454) | (4,555,371) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from issuance of bond anticipation notes | - | 4,000,000 | 5,800,000 | 825,000 | 10,625,000 |
| Premium on bond anticipation notes | 21,429 | - | - | - | 21,429 |
| Transfers in | 106,903 | - | - | - | 106,903 |
| Total other financing sources (uses) | <u>128,332</u> | <u>4,000,000</u> | <u>5,800,000</u> | <u>825,000</u> | <u>10,753,332</u> |
| Net change in fund balances | (125,611) | 3,990,813 | 2,461,213 | (128,454) | 6,197,961 |
| Fund balances (deficit) - beginning | <u>6,054,261</u> | <u>(5,510,108)</u> | <u>(360,336)</u> | <u>1,304,750</u> | <u>1,488,567</u> |
| Fund balances (deficit) - ending | <u>\$ 5,928,650</u> | <u>\$ (1,519,295)</u> | <u>\$ 2,100,877</u> | <u>\$ 1,176,296</u> | <u>\$ 7,686,528</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, 2012

| | |
|---|---------------------|
| Net change in fund balances (deficit) - total governmental funds | \$ 6,197,961 |
| Total change in net assets reported for governmental activities in the statement of activities is different because: | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay exceeded depreciation and amortization expense in the current period is as follows:</p> | |
| Expenditures for capital assets | \$ 5,818,792 |
| Depreciation and amortization expense | <u>(2,151,170)</u> |
| Net adjustment | 3,667,622 |
| 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. | (199,959) |
| Capital assets acquired through foreclosure increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. | 229,130 |
| <p>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:</p> | |
| Debt issued or incurred: | |
| Bond anticipation notes payable | (10,625,000) |
| Principal repayments: | |
| Bonds and note payable | <u>2,762,999</u> |
| Net adjustment | (7,862,001) |
| <p>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:</p> | |
| Accrued interest | \$ 33,074 |
| Deferred charges | (9,273) |
| Unamortized bond premium | 41,335 |
| Unamortized gain on refunding | (44,100) |
| Compensated absences | 290,994 |
| Early retirement incentive | 87,238 |
| Landfill postclosure | <u>19,000</u> |
| | \$ 418,268 |
| 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. | 1,632,667 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities. | <u>594,742</u> |
| Change in net assets of governmental activities | <u>\$ 4,678,430</u> |

The accompanying notes are an integral part of these financial statements

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 35,541,683 | \$ 35,541,683 | \$ 33,987,794 | \$ (1,553,889) |
| Intergovernmental | 16,673,169 | 16,673,169 | 17,427,321 | 754,152 |
| Charges for services | 3,134,503 | 3,134,503 | 2,164,999 | (969,504) |
| Use of town money | 201,750 | 201,750 | 240,503 | 38,753 |
| Total revenues | <u>55,551,105</u> | <u>55,551,105</u> | <u>53,820,617</u> | <u>(1,730,488)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 6,633,670 | 6,581,470 | 6,364,492 | (216,978) |
| Public safety | 3,697,051 | 3,769,851 | 3,707,440 | (62,411) |
| Public works | 3,433,099 | 3,408,599 | 3,269,790 | (138,809) |
| Health and welfare | 178,148 | 181,148 | 181,023 | (125) |
| Social services | 33,231 | 33,231 | 31,573 | (1,658) |
| Recreation and leisure | 259,154 | 268,554 | 257,085 | (11,469) |
| Miscellaneous | 61,650 | 61,650 | 48,250 | (13,400) |
| Education | 36,632,735 | 36,632,735 | 36,617,890 | (14,845) |
| Capital outlay | 561,200 | 561,200 | 316,461 | (244,739) |
| Debt service: | | | | |
| Principal payments | 2,645,000 | 2,645,000 | 2,645,000 | - |
| Interest and fiscal charges | 1,467,417 | 1,467,417 | 1,403,666 | (63,751) |
| Total expenditures | <u>55,602,355</u> | <u>55,610,855</u> | <u>54,842,670</u> | <u>(768,185)</u> |
| Deficiency of revenues over expenditures | (51,250) | (59,750) | (1,022,053) | (962,303) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 10,000 | 10,000 | 106,903 | 96,903 |
| Cancellation of prior year encumbrances | - | - | 48,927 | 48,927 |
| Appropriation of fund balance | 41,250 | 49,750 | - | (49,750) |
| Total other financing sources | <u>51,250</u> | <u>59,750</u> | <u>155,830</u> | <u>96,080</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (866,223)</u> | <u>\$ (866,223)</u> |

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET ASSETS -

PROPRIETARY FUNDS

JUNE 30, 2012

| | Business-type Activities | | | Governmental |
|---|--------------------------|----------------------|--------------------------------------|-----------------------------|
| | Sewer Department | Water Department | Total Business-type Activities | Internal Service Fund |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,689,699 | \$ 391,952 | \$ 4,081,651 | \$ 165,948 |
| Receivables: | | | | |
| User charges, net allowance for doubtful accounts of \$239,500 | 1,125,215 | 188,321 | 1,313,536 | - |
| Connection fees | - | 218,261 | 218,261 | - |
| Other | 57,479 | - | 57,479 | - |
| Due from other funds | 52,367 | 34,556 | 86,923 | 5,610,089 |
| Deferred charges on bond issuance, net | 12,263 | - | 12,263 | - |
| Total current assets | <u>4,937,023</u> | <u>833,090</u> | <u>5,770,113</u> | <u>5,776,037</u> |
| Noncurrent assets: | | | | |
| Receivables: | | | | |
| Connection fees | - | 1,091,322 | 1,091,322 | - |
| Other | 296,881 | - | 296,881 | - |
| Capital assets: | | | | |
| Non-depreciable | 1,088,131 | 768,187 | 1,856,318 | - |
| Depreciable, net | 43,582,303 | 11,476,334 | 55,058,637 | - |
| Total noncurrent assets | <u>44,967,315</u> | <u>13,335,843</u> | <u>58,303,158</u> | <u>-</u> |
| Total assets | <u>49,904,338</u> | <u>14,168,933</u> | <u>64,073,271</u> | <u>5,776,037</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | - | 110,141 | 110,141 | - |
| Accrued interest | 27,474 | - | 27,474 | - |
| Claims payable | - | - | - | 437,172 |
| Due to other funds | 34,556 | 1,019 | 35,575 | - |
| Total current liabilities | <u>62,030</u> | <u>111,160</u> | <u>173,190</u> | <u>437,172</u> |
| Non-current liabilities: | | | | |
| Due within one year: | | | | |
| Bonds payable | 176,600 | - | 176,600 | - |
| Compensated absences | 8,639 | - | 8,639 | - |
| Contract payable | - | 218,261 | 218,261 | - |
| Due in more than one year: | | | | |
| Advances from other funds | 780,022 | - | 780,022 | - |
| Bonds payable | 2,861,738 | - | 2,861,738 | - |
| Compensated absences | 34,556 | - | 34,556 | - |
| Contract payable | - | 1,858,812 | 1,858,812 | - |
| Total non-current liabilities | <u>3,861,555</u> | <u>2,077,073</u> | <u>5,938,628</u> | <u>-</u> |
| Total liabilities | <u>3,923,585</u> | <u>2,188,233</u> | <u>6,111,818</u> | <u>437,172</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 41,632,096 | 10,167,448 | 51,799,544 | - |
| Unrestricted | 4,348,657 | 1,813,252 | 6,161,909 | 5,338,865 |
| Total net assets | <u>\$ 45,980,753</u> | <u>\$ 11,980,700</u> | <u>\$ 57,961,453</u> | <u>\$ 5,338,865</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, 2012

| | Business-type Activities | | | Governmental |
|--|--------------------------|----------------------|--------------------------------------|-----------------------------|
| | Sewer Department | Water Department | Total Business-type Activities | Internal Service Fund |
| OPERATING REVENUES | | | | |
| Charges for services and premiums | \$ 5,657,998 | \$ 1,223,826 | \$ 6,881,824 | \$ 7,122,894 |
| Intergovernmental | 277,659 | - | 277,659 | - |
| Total operating revenues | <u>5,935,657</u> | <u>1,223,826</u> | <u>7,159,483</u> | <u>7,122,894</u> |
| OPERATING EXPENSES | | | | |
| Personnel services | 778,095 | 49,915 | 828,010 | - |
| Supplies and administration | 1,331,783 | 1,027,570 | 2,359,353 | - |
| Maintenance | 457,111 | 14,429 | 471,540 | - |
| Energy and transportation | 862,156 | 47,299 | 909,455 | - |
| Insurance and taxes | 373,921 | 31,239 | 405,160 | - |
| Claims incurred | - | - | - | 5,696,162 |
| Administration | - | - | - | 735,111 |
| Depreciation | 1,282,608 | 278,889 | 1,561,497 | - |
| Total operating expenses | <u>5,085,674</u> | <u>1,449,341</u> | <u>6,535,015</u> | <u>6,431,273</u> |
| Operating income (loss) | 849,983 | (225,515) | 624,468 | 691,621 |
| NON-OPERATING INCOME (EXPENSE) | | | | |
| Interest income | 6,199 | 325 | 6,524 | 24 |
| Interest expense | (63,766) | - | (63,766) | - |
| Total non-operating income (expense) | <u>(57,567)</u> | <u>325</u> | <u>(57,242)</u> | <u>24</u> |
| Change in net assets before transfers and capital contributions | 792,416 | (225,190) | 567,226 | 691,645 |
| Capital contributions | 236,373 | 343,428 | 579,801 | - |
| Transfer out | (10,000) | - | (10,000) | (96,903) |
| Change in net assets | <u>1,018,789</u> | <u>118,238</u> | <u>1,137,027</u> | <u>594,742</u> |
| Net assets - beginning | 44,961,964 | 11,862,462 | 56,824,426 | 4,744,123 |
| Net assets - ending | <u>\$ 45,980,753</u> | <u>\$ 11,980,700</u> | <u>\$ 57,961,453</u> | <u>\$ 5,338,865</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, 2012

| | Business-type Activities | | | Governmental |
|--|--------------------------|---------------------|--------------------------------------|-----------------------------|
| | Sewer Department | Water Department | Total Business-type Activities | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received for the following: | | | | |
| Customers and users | \$ 5,524,578 | \$ 1,191,826 | \$ 6,716,404 | \$ 6,534,714 |
| Intergovernmental | 117,203 | 22,718 | 139,921 | - |
| Cash paid for the following: | | | | |
| Personnel services | (793,502) | (53,184) | (846,686) | - |
| Supplies and administration | (1,331,783) | (1,002,474) | (2,334,257) | (735,111) |
| Maintenance | (597,098) | (14,429) | (611,527) | - |
| Energy and transportation | (862,156) | (47,299) | (909,455) | - |
| Insurance and taxes | (373,921) | (31,239) | (405,160) | - |
| Benefits and claims | - | - | - | (5,754,988) |
| Net cash provided by operating activities | <u>1,683,321</u> | <u>65,919</u> | <u>1,749,240</u> | <u>44,615</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Repayments on advances from other funds | (299,978) | - | (299,978) | - |
| Transfers in | 111,636 | 51,506 | 163,142 | - |
| Transfers out | - | - | - | (96,903) |
| Net cash provided by (used in) noncapital financing activities | <u>(188,342)</u> | <u>51,506</u> | <u>(136,836)</u> | <u>(96,903)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | (5,535) | (5,135) | (10,670) | - |
| Proceeds from sale of capital assets | 3,653 | - | 3,653 | - |
| Payments collected on long-term receivables | 191,662 | 218,261 | 409,923 | - |
| Interest paid on capital debt | (76,305) | - | (76,305) | - |
| Principal paid on capital debt | (355,000) | (217,945) | (572,945) | - |
| Proceeds from bond anticipation notes | 1,500,000 | - | 1,500,000 | - |
| Net cash provided by (used in) capital and related financial activities | <u>1,258,475</u> | <u>(4,819)</u> | <u>1,253,656</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest income | 6,199 | 325 | 6,524 | 24 |
| Net cash provided by investing activities | <u>6,199</u> | <u>325</u> | <u>6,524</u> | <u>24</u> |
| Net increase (decrease) in cash and cash equivalents | 2,759,653 | 112,931 | 2,872,584 | (52,264) |
| Cash and cash equivalents, beginning of year | 930,046 | 279,021 | 1,209,067 | 218,212 |
| Cash and cash equivalents, end of year | <u>\$ 3,689,699</u> | <u>\$ 391,952</u> | <u>\$ 4,081,651</u> | <u>\$ 165,948</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income (loss) | \$ 849,983 | \$ (225,515) | \$ 624,468 | \$ 691,621 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation expense | 1,282,608 | 278,889 | 1,561,497 | - |
| Changes in assets and liabilities: | | | | |
| Increase in user charges receivable | (133,420) | (32,000) | (165,420) | - |
| Decrease in other receivables | - | 22,718 | 22,718 | - |
| Increase (decrease) in accounts payable | (139,987) | 25,096 | (114,891) | - |
| Decrease in accrued payroll | (12,110) | (646) | (12,756) | - |
| Decrease in unearned revenue | (160,456) | - | (160,456) | - |
| Decrease in compensated absences | (3,297) | (2,623) | (5,920) | - |
| Increase in due from other funds | - | - | - | (588,180) |
| Decrease in claims payable | - | - | - | (58,826) |
| Net cash provided by operating activities | <u>\$ 1,683,321</u> | <u>\$ 65,919</u> | <u>\$ 1,749,240</u> | <u>\$ 44,615</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Increase in depreciable capital assets through capital transfer in | \$ 236,373 | \$ 343,428 | \$ 579,801 | \$ - |

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

TOWN OF MONTVILLE, CONNECTICUT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

| | Private Purpose Trust Fund - School Scholarships | Agency Funds |
|--|---|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 67,763 | \$ 385,122 |
| Investments, at fair value: | | |
| Certificates of deposit | 90,973 | 11,193 |
| Equity mutual funds | 143,811 | - |
| Fixed income mutual funds | 34,931 | - |
| Total assets | <u>337,478</u> | <u>\$ 396,315</u> |
| LIABILITIES | | |
| Due to student groups | - | 240,175 |
| Due to others | - | 156,140 |
| Total liabilities | <u>-</u> | <u>\$ 396,315</u> |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes | <u>\$ 337,478</u> | |

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, 2012

| | Private Purpose Trust Fund - School Scholarships |
|--|---|
| ADDITIONS | |
| Contributions: | |
| Private donations | \$ 14,514 |
| Total contributions | 14,514 |
| Investment earnings: | |
| Interest | 3,031 |
| Net decrease in the fair value of investments | (1,839) |
| Total investment earnings | 1,192 |
| Total additions | 15,706 |
| DEDUCTIONS | |
| Awards expense | 25,552 |
| Administrative expenses | 324 |
| Total deductions | 25,876 |
| Change in net assets | (10,170) |
| Net assets - beginning | 347,648 |
| Net assets - ending | \$ 337,478 |

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Montville, Connecticut was settled in 1786 and covers 43.9 square miles located in the Southeastern part of Connecticut. The Town operates under a Town Council/Mayor form of government and provides the following services as authorized by its charter: public safety, public works, health, social services, recreation, planning and zoning, education and 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

Public Safety Building Fund – This fund is used to account for the revenue and expenditures related to the construction of the new Public Safety Building.

The Town reports the following major proprietary funds:

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

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

In addition, the Town reports the following fund types:

Internal Service Fund (proprietary) - This fund accounts for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in 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.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2012

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

Measurement Focus and Basis of Accounting *(Continued)*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise fund financial statements subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Fund Equity

Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the Town are reported at fair value (generally based on quoted market prices) except as described below.

The Town invests in the State Treasurer's Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer's Office, and the Cooperative Liquid Asset Security Systems Fund (CLASS), which is an investment pool managed by Cutwater Asset Management. STIF and CLASS operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, STIF and CLASS qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. STIF and CLASS are subject to regulatory oversight even though they are not registered by the SEC.

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 \$413,000 as of June 30, 2012.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Taxes, Sewer Assessment and Usage Charges (Continued)

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

Capital Assets

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

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

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

| 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences

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

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

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net 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.

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

Net Assets and Fund Balance

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Net Assets and Fund Balance (Continued)

The Town's governmental funds report the following fund balance categories:

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

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

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

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

The Town does not have a formal policy over the use of fund balance. In practice, the Town uses 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 total 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities (Continued)

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.

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES

Budgetary Information

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

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

Budgetary Information (Continued)

- 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, 2012 amounted to \$8,500.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year. Generally, all unexpended appropriations lapse at year-end, except those for Capital Projects Funds and certain Special Revenue Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2012:

| | <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 | \$ 53,820,617 | \$ 54,842,670 | \$ 155,830 | \$ (866,223) |
| "On-behalf" payments - State Teachers Retirement Fund (see Note I) | 3,691,115 | 3,691,115 | - | - |
| Encumbrances | - | (789,539) | (48,927) | 740,612 |
| Reimbursement for certain costs recorded as a reduction to expenditures for budgetary purposes | 6,422 | 6,422 | - | - |
| Certain items recorded as revenues for budgetary purposes | (21,429) | - | 21,429 | - |
| GAAP basis | <u>\$ 57,496,725</u> | <u>\$ 57,750,668</u> | <u>\$ 128,332</u> | <u>\$ (125,611)</u> |

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2012

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

Deficit Fund Balances

The following funds have deficit fund balances as of June 30, 2012, none of which constitutes a violation of statutory provisions:

| <u>Fund</u> | <u>Amount</u> |
|---------------------------------------|---------------|
| Bonded Projects Fund | \$ 1,519,295 |
| Town Aid Road Fund | 60,657 |
| Palmertown Water Project Phase 2 Fund | 22,718 |

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

NOTE C - CASH DEPOSITS AND INVESTMENTS

A reconciliation of the Town's cash and cash equivalents as of June 30, 2012 is as follows:

| | |
|--|---------------------|
| Government-wide statement of net assets: | |
| Cash and cash equivalents | \$ 18,356,354 |
| Statement of fiduciary net assets: | |
| Cash and cash equivalents | 452,885 |
| | <u>18,809,239</u> |
| Add: certificates of deposit classified as investments | 102,166 |
| Less: cash equivalents considered investments under GASB Statement No. 40 | (9,334,205) |
| | <u>\$ 9,577,200</u> |

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, 2012, \$6,298,661 of the Town's bank balance of \$10,854,630 was exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Uninsured and uncollateralized | \$ 5,668,795 |
| Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name | 629,866 |
| | <u>\$ 6,298,661</u> |

NOTE C - 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, 2012 is as follows:

| | |
|---|---------------------|
| Government-wide statement of net assets: | |
| Investments | \$ - |
| Statement of fiduciary net assets: | |
| Investments | 280,908 |
| | <u>280,908</u> |
| Add: cash equivalents considered investments under GASB Statement No. 40 | 9,334,205 |
| Less: certificates of deposit classified as investments | <u>(102,166)</u> |
| | <u>\$ 9,512,947</u> |

As of June 30, 2012, 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 | \$ 9,331,709 | \$ 9,331,709 |
| Fixed income mutual funds | 34,931 | 34,931 |
| Money market mutual funds | 2,496 | 2,496 |
| | <u>9,369,136</u> | <u>\$ 9,369,136</u> |
| Other investments: | | |
| Equity mutual funds | 143,811 | |
| | <u>\$ 9,512,947</u> | |

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.

NOTE C - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

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

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, 2012, 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 Financial Statements (Continued)
June 30, 2012

NOTE D - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012 consisted of the following:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,947,288 | \$ 106,900 | \$ (336,740) | \$ 1,717,448 |
| Construction in progress | 1,529,349 | 4,548,545 | (245,723) | 5,832,171 |
| Total capital assets, not being depreciated | <u>3,476,637</u> | <u>4,655,445</u> | <u>(582,463)</u> | <u>7,549,619</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 975,678 | - | - | 975,678 |
| Buildings and improvements | 86,505,609 | 639,253 | (102,500) | 87,042,362 |
| Machinery and equipment | 11,191,953 | 1,175,173 | (359,143) | 12,007,983 |
| Infrastructure | 16,114,537 | 95,074 | - | 16,209,611 |
| Total capital assets, being depreciated | <u>114,787,777</u> | <u>1,909,500</u> | <u>(461,643)</u> | <u>116,235,634</u> |
| Less accumulated depreciation and amortization for: | | | | |
| Land improvements | 669,208 | 17,427 | - | 686,635 |
| Buildings and improvements | 11,877,187 | 1,281,417 | (10,250) | 13,148,354 |
| Machinery and equipment | 7,084,808 | 637,682 | (316,874) | 7,405,616 |
| Infrastructure | 6,605,451 | 214,644 | - | 6,820,095 |
| Total accumulated depreciation and amortization | <u>26,236,654</u> | <u>2,151,170</u> | <u>(327,124)</u> | <u>28,060,700</u> |
| Total capital assets, being depreciated, net | <u>88,551,123</u> | <u>(241,670)</u> | <u>(134,519)</u> | <u>88,174,934</u> |
| Governmental activities capital assets, net | <u>\$ 92,027,760</u> | <u>\$ 4,413,775</u> | <u>\$ (716,982)</u> | <u>\$ 95,724,553</u> |

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

| | |
|---|---------------------|
| Governmental Activities: | |
| General government | \$ 165,904 |
| Public safety | 228,539 |
| Public works | 370,684 |
| Recreation and leisure | 42,202 |
| Education | 1,343,841 |
| Total depreciation and amortization expense - governmental activities | <u>\$ 2,151,170</u> |

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE D - CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2012 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 | 385,859 | 343,428 | - | 729,287 |
| Total capital assets, not being depreciated | <u>1,512,890</u> | <u>343,428</u> | <u>-</u> | <u>1,856,318</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 18,561,981 | 236,373 | - | 18,798,354 |
| Distribution and collection systems | 51,487,323 | - | - | 51,487,323 |
| Machinery and equipment | 12,274,147 | 10,669 | (10,600) | 12,274,216 |
| Total capital assets, being depreciated | <u>82,323,451</u> | <u>247,042</u> | <u>(10,600)</u> | <u>82,559,893</u> |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | 5,267,236 | 367,537 | - | 5,634,773 |
| Distribution and collection systems | 14,647,258 | 770,043 | - | 15,417,301 |
| Machinery and equipment | 6,032,213 | 423,917 | (6,948) | 6,449,182 |
| Total accumulated depreciation and amortization | <u>25,946,707</u> | <u>1,561,497</u> | <u>(6,948)</u> | <u>27,501,256</u> |
| Total capital assets, being depreciated, net | <u>56,376,744</u> | <u>(1,314,455)</u> | <u>(3,652)</u> | <u>55,058,637</u> |
| Business-type activities capital assets, net | <u>\$ 57,889,634</u> | <u>\$ (971,027)</u> | <u>\$ (3,652)</u> | <u>\$ 56,914,955</u> |

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

| | |
|--|---------------------|
| Business-type Activities: | |
| Sewer department | \$ 1,282,608 |
| Water department | 278,889 |
| Total depreciation and amortization expense - business-type activities | <u>\$ 1,561,497</u> |

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2012 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|---------------------|
| Governmental Funds: | | |
| General Fund | Nonmajor governmental funds | \$ 564,408 |
| | Bonded Projects Fund | 1,519,295 |
| | Water Department | 1,019 |
| | | <u>2,084,722</u> |
| Public Safety Building Fund | General Fund | <u>3,201,185</u> |
| Nonmajor governmental funds | General Fund | 966,365 |
| | Nonmajor governmental funds | 252,531 |
| | | <u>1,218,896</u> |
| | | <u>\$ 6,504,803</u> |
| Proprietary Funds: | | |
| Internal Service Fund | General Fund | \$ 5,610,089 |
| Sewer Department | General Fund | 52,367 |
| Water Department | Sewer Department | <u>34,556</u> |
| | | <u>\$ 5,697,012</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 outstanding as of June 30, 2012 were as follows:

| <u>Advanced From:</u> | <u>Advanced To:</u> | <u>Amount</u> |
|-----------------------|---------------------|---------------|
| General Fund | Sewer Department | \$ 780,022 |

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.

TOWN OF MONTVILLE, CONNECTICUT
Notes to Financial Statements (Continued)
June 30, 2012

NOTE F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012 consisted of the following:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------|-----------------------|-------------------|
| General Fund | Sewer Department | \$ 10,000 |
| | Internal Service Fund | <u>96,903</u> |
| Total transfers | | <u>\$ 106,903</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 Financial Statements (Continued)

June 30, 2012

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|----------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 38,197,600 | \$ - | \$ (2,645,000) | \$ 35,552,600 | \$ 3,093,400 |
| Bond anticipation notes | - | 10,625,000 | - | 10,625,000 | - |
| Unamortized premium | 578,687 | - | (41,335) | 537,352 | - |
| Deferred amounts on refunding | (617,392) | - | 44,100 | (573,292) | - |
| Total bonds payable | <u>38,158,895</u> | <u>10,625,000</u> | <u>(2,642,235)</u> | <u>46,141,660</u> | <u>3,093,400</u> |
| Other liabilities: | | | | | |
| Note payable | 117,999 | - | (117,999) | - | - |
| Compensated absences | 2,025,532 | 39,083 | (330,077) | 1,734,538 | 346,900 |
| Early retirement incentive | 264,507 | 71,641 | (158,879) | 177,269 | 95,941 |
| Litigation judgments | 550,000 | - | - | 550,000 | - |
| Landfill closure | 247,000 | - | (19,000) | 228,000 | 19,000 |
| | <u>\$ 41,363,933</u> | <u>\$ 10,735,724</u> | <u>\$ (3,268,190)</u> | <u>\$ 48,831,467</u> | <u>\$ 3,555,241</u> |
| Business-type Activities | | | | | |
| Bonds payable: | | | | | |
| Sewer bonds | \$ 1,777,400 | \$ - | \$ (355,000) | \$ 1,422,400 | \$ 176,600 |
| Bond anticipation notes | - | 1,500,000 | - | 1,500,000 | - |
| Unamortized premium | 130,521 | - | (9,323) | 121,198 | - |
| Deferred amounts on refunding | (5,665) | - | 405 | (5,260) | - |
| Total bonds payable | <u>1,902,256</u> | <u>1,500,000</u> | <u>(363,918)</u> | <u>3,038,338</u> | <u>176,600</u> |
| Other liabilities: | | | | | |
| Contract payable | 2,295,018 | - | (217,945) | 2,077,073 | 218,261 |
| Compensated absences | 49,115 | - | (5,920) | 43,195 | 8,639 |
| | <u>\$ 4,246,389</u> | <u>\$ 1,500,000</u> | <u>\$ (587,783)</u> | <u>\$ 5,158,606</u> | <u>\$ 403,500</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 Financial Statements (Continued)
June 30, 2012

NOTE G - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes Payable

A summary of general obligation bonds and note payable outstanding at June 30, 2012 is as follows:

| Purpose of Bonds | Date of Issue | Original Issue | Interest Rates | Maturity Date | Amount Outstanding |
|---------------------------------|---------------|----------------|----------------|---------------|----------------------|
| Governmental Activities | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | 1988 | \$ 7,310,000 | 6.25% - 7.0% | 2015 | \$ 650,000 |
| General Obligation Bonds | 1994 | 7,475,000 | 2.75% - 5.5% | 2014 | 375,000 |
| General Obligation Bonds | 2001 | 4,497,000 | 4.0% - 5.0% | 2013 | 225,000 |
| General Obligation Bonds | 2004 | 10,070,000 | 2.5% - 4.5% | 2024 | 3,330,000 |
| General Obligation Bonds | 2006 | 10,000,000 | 3.625% - 5.0% | 2027 | 6,830,000 |
| General Obligation Bonds | 2007 | 6,300,000 | 3.7% - 4.5% | 2028 | 4,095,000 |
| 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 | 2,157,600 |
| General Obligation Bonds | 2010 | 8,035,000 | 3.0% - 5.0% | 2025 | 7,890,000 |
| | | | | | <u>\$ 35,552,600</u> |
| Business-type Activities | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | 1999 | 1,350,000 | 6.60% | 2019 | \$ 490,000 |
| General Obligation Bonds | 2010 | 1,042,400 | 2.0% - 4.0% | 2019 | 932,400 |
| | | | | | <u>\$ 1,422,400</u> |

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2012:

| Year ending June 30: | Governmental Activities | | |
|-------------------------|-------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2013 | \$ 3,093,400 | \$ 1,275,300 | \$ 4,368,700 |
| 2014 | 3,049,000 | 1,161,752 | 4,210,752 |
| 2015 | 2,854,000 | 1,055,995 | 3,909,995 |
| 2016 | 2,647,700 | 958,889 | 3,606,589 |
| 2017 | 2,642,700 | 874,482 | 3,517,182 |
| 2018-2022 | 13,100,800 | 2,923,064 | 16,023,864 |
| 2023-2027 | 7,850,000 | 667,174 | 8,517,174 |
| 2028 | 315,000 | 6,300 | 321,300 |
| | <u>\$ 35,552,600</u> | <u>\$ 8,922,956</u> | <u>\$ 44,475,556</u> |

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE G - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes Payable (Continued)

| Year ending June 30: | Business-type Activities | | |
|-------------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 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 | 207,300 | 26,200 | 233,500 |
| 2018-2019 | 409,200 | 23,091 | 432,291 |
| | <u>\$ 1,422,400</u> | <u>\$ 242,113</u> | <u>\$ 1,664,513</u> |

Bond Anticipation Notes

During August 2011, the Town issued \$12,125,000 bond anticipation notes. The proceeds were used to fund various capital costs, including a sewer project, the construction of the public safety building, and to fund part of the deficit in the Bonded Projects Fund remaining from various school construction projects. Subsequent to year-end, the bond anticipation notes were retired with the issuance of general obligation bonds, and as such, have been included with long-term liabilities (see Note M).

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, 2012, there is approximately \$8.7 million of bonds are defeased but still outstanding.

NOTE G - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes 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, 2012 was \$147,839. No additional reimbursements of principal and interest for this project are expected to be received. In addition, there are several open school construction projects, for which \$1,710,785 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 \$237,242,467 as of June 30, 2012. 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, 2012.

Authorized, Unissued Bonds

As of June 30, 2012, the Town had authorized but unissued bonds totaling \$4,600,500.

Early Retirement Incentive

The Board of Education provides early retirement incentive benefits to 8 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, 2012 was \$158,879.

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 \$228,000 as of June 30, 2012, 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, 2012. 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 \$2,077,073, of which \$754,540 is owed by the Town and \$1,322,533 is owed by other parties. The Town has recorded \$1,309,583 as a receivable as of June 30, 2012, 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.

NOTE H - 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:

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|---|---------------------|------------------|---------------------|
| General Fund: | | | |
| Property taxes and accrued interest on delinquent property taxes | \$ 2,922,077 | \$ - | \$ 2,922,077 |
| Assessments and accrued interest on delinquent assessment charges | 276,920 | - | 276,920 |
| Other receivables | 41,234 | - | 41,234 |
| Bonded Projects Fund: | | | |
| School building construction grant receivables | 1,710,785 | - | 1,710,785 |
| Nonmajor Governmental Funds: | | | |
| Grant drawdowns prior to meeting all eligibility requirements | - | 51,984 | 51,984 |
| | <u>\$ 4,951,016</u> | <u>\$ 51,984</u> | <u>\$ 5,003,000</u> |

NOTE I - 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.

NOTE I - RETIREMENT PLANS (Continued)

Connecticut Municipal Employees' Retirement Fund B (Continued)

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 11.56% of the annual Town employee covered payroll and 16.37% of the annual Police Department 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, 2012, 2011 and 2010 were \$652,260, \$612,864, and \$466,531, respectively, and were equal to the required contributions for each year.

Teacher' 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, 2012, Town teachers contributed \$1,302,852 to the plan and covered payroll for the year was \$17,970,374.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$3,691,115 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 J - 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.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2012

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

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.

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 | \$ 112,204 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | 112,204 |
| Contributions made | 112,204 |
| Increase in net OPEB obligation | - |
| Net OPEB obligation, beginning of year | - |
| Net OPEB obligation, end of year | \$ - |

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

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 |
|-----------------------|---------------------|--|------------------------|
| 2010 | \$ 114,884 | 100.0% | \$ - |
| 2011 | 121,080 | 100.0% | - |
| 2012 | 112,204 | 100.0% | - |

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) | (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.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2012

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

Actuarial Methods and Assumptions

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

| | |
|--------------------------------|---------------------------------|
| Valuation date: | July 1, 2010 |
| Actuarial cost method: | Entry Age Actuarial Cost Method |
| Amortization method: | Level Dollar Amount, Closed |
| Remaining amortization period: | 8.29 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 |

NOTE K - 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, 2012. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

TOWN OF MONTVILLE, CONNECTICUT
Notes to Financial Statements *(Continued)*
June 30, 2012

NOTE K - RISK MANAGEMENT *(Continued)*

A summary of claims activity for the years ended June 30, 2011 and 2012 is as follows:

| Year Ended June 30 | Claims Payable, Beginning of Year | Claims and Changes in Estimates | Claims Paid | Claims Payable, End of Year |
|-----------------------|---|---------------------------------------|----------------|-----------------------------------|
| 2011 | \$ 436,270 | \$ 5,671,529 | \$ 5,611,801 | \$ 495,998 |
| 2012 | 495,998 | 5,696,162 | 5,754,988 | 437,172 |

The Town currently insures its Property and Liability exposures with Argonaut Insurance Company, a member of Argo Group. Argonaut Insurance Company specializes in Public Entity Insurance. It is an admitted carrier in the State of Connecticut and has an AM Best rating of A (Excellent) and a Financial Size Category of XII (\$1 Billion to \$1.25 Billion). The program is fully insured and the Town and the Town does not retain any risk of loss.

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.

NOTE L - 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, 2012, the Town has recorded \$2,618,713 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 M - SUBSEQUENT EVENT

In August 2012, the \$12,125,000 bond anticipation notes matured and were retired with proceeds from the issuance of general obligation bonds. The \$12,125,000 general obligation bonds issued bear interest rates of 2.125%-4.0% and mature in August 2032.

NOTE N - RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB has issued several new accounting standards that will become effective in future years. Management is currently evaluating the effect implementation of these standards, as applicable, will have on its financial statements. A summary of recently issued accounting standards that will become effective in future years is as follows:

In December 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Statement No. 62 incorporates into the GASB authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The provisions of GASB 62 are effective for financial statements for periods beginning after December 15, 2011 and early adoption is permitted.

The GASB has issued GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB 63 also amends certain provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The provisions of GASB 63 are effective for financial statements for periods beginning after December 15, 2011 and early adoption is permitted.

The GASB has issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of GASB 65 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

The GASB has issued Statement No. 66, Technical Corrections – 2012, which amends GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The provisions in GASB 66 are effective for periods beginning after December 15, 2012 and early adoption is permitted.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2012

NOTE N - RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

The GASB has issued Statement No. 67, Financial Reporting for Pension Plans - An amendment of GASB Statement No. 25, which replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and GASB Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The provisions in GASB 67 are effective for financial statements for periods beginning after June 15, 2013 and early adoption is permitted.

The GASB has issued Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27, which replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 and early adoption is permitted.

Required
Supplementary
Information

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULES OF FUNDING PROGRESS

JUNE 30, 2012

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, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| PROPERTY TAXES | | | | |
| Revenues from property taxes | \$ 35,167,314 | \$ 35,167,314 | \$ 33,622,883 | \$ (1,544,431) |
| Telephone access | 60,369 | 60,369 | 61,730 | 1,361 |
| Interest and lien fees | 314,000 | 314,000 | 303,181 | (10,819) |
| Total property taxes | <u>35,541,683</u> | <u>35,541,683</u> | <u>33,987,794</u> | <u>(1,553,889)</u> |
| INTERGOVERNMENTAL REVENUES | | | | |
| State grants for school aid: | | | | |
| ECS grant | 12,549,531 | 12,549,531 | 12,570,109 | 20,578 |
| Transportation | 364,464 | 364,464 | 306,916 | (57,548) |
| Special education | 170,000 | 170,000 | 436,157 | 266,157 |
| Adult education | 32,174 | 32,174 | 32,449 | 275 |
| Reimbursement middle school bond | 147,838 | 147,838 | 147,839 | 1 |
| Total state grants for school aid | <u>13,264,007</u> | <u>13,264,007</u> | <u>13,493,470</u> | <u>229,463</u> |
| State grants unspecified: | | | | |
| In lieu of taxes - State property | 842,349 | 842,349 | 845,862 | 3,513 |
| Emergency management program | 9,000 | 9,000 | 9,806 | 806 |
| Tax relief for elderly | 71,993 | 71,993 | 106,034 | 34,041 |
| Tax relief for disabled | 3,000 | 3,000 | 2,944 | (56) |
| Tax relief for veterans | 4,706 | 4,706 | 7,409 | 2,703 |
| Manufacturers assistance grant | 350,000 | 350,000 | 646,613 | 296,613 |
| Other grants | 25,000 | 25,000 | 56,030 | 31,030 |
| CT Fines reimbursement | 12,000 | 12,000 | 19,405 | 7,405 |
| Elect restructuring grant | 334,580 | 334,580 | 343,840 | 9,260 |
| Pequot funds | 1,748,534 | 1,748,534 | 1,838,096 | 89,562 |
| State boat grant | 8,000 | 8,000 | - | (8,000) |
| FEMA grant | - | - | 57,812 | 57,812 |
| Total state grants unspecified | <u>3,409,162</u> | <u>3,409,162</u> | <u>3,933,851</u> | <u>524,689</u> |
| Total intergovernmental revenues | <u>16,673,169</u> | <u>16,673,169</u> | <u>17,427,321</u> | <u>754,152</u> |
| CHARGES FOR SERVICES | | | | |
| Licenses and permits: | | | | |
| Conveyance tax | 91,000 | 91,000 | 71,442 | (19,558) |
| Town clerk fees | 110,000 | 110,000 | 114,948 | 4,948 |
| Dog licenses | 1,500 | 1,500 | 22,511 | 21,011 |
| Dog warden | 1,000 | 1,000 | 1,945 | 945 |
| Building department | 128,000 | 128,000 | 159,196 | 31,196 |
| Miscellaneous permits | 9,000 | 9,000 | 10,864 | 1,864 |
| Fire permits | - | - | 903 | 903 |
| Transfer station | 232,000 | 232,000 | 211,993 | (20,007) |
| Total licenses and permits | <u>572,500</u> | <u>572,500</u> | <u>593,802</u> | <u>21,302</u> |
| Revenue from other agencies: | | | | |
| Planning and zoning and zoning board of appeals | 5,000 | 5,000 | 8,716 | 3,716 |
| Parks and recreations | 67,070 | 67,070 | 83,256 | 16,186 |
| Camp oakdale rent | 2,200 | 2,200 | 2,785 | 585 |
| Fair oaks facility rental | 500 | 500 | 300 | (200) |
| Housing authority | 25,000 | 25,000 | 28,273 | 3,273 |
| Youth service program | 30,806 | 30,806 | 31,434 | 628 |
| Total revenue from other agencies | <u>130,576</u> | <u>130,576</u> | <u>154,764</u> | <u>24,188</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, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| CHARGES FOR SERVICES (Continued) | | | | |
| Charges for current services: | | | | |
| Use of property | \$ 500 | \$ 500 | \$ - | \$ (500) |
| Tuition regular | 125,000 | 125,000 | 106,177 | (18,823) |
| Tuition special education | 150,000 | 150,000 | 127,134 | (22,866) |
| School miscellaneous revenue | 5,000 | 5,000 | 1,766 | (3,234) |
| Personal property audits | 789,935 | 789,935 | 43,464 | (746,471) |
| Public works department | 1,500 | 1,500 | 384 | (1,116) |
| Commercial tipping fees | 415,000 | 415,000 | 379,472 | (35,528) |
| Assessor's office | 2,000 | 2,000 | 1,171 | (829) |
| Total charges for current services | <u>1,488,935</u> | <u>1,488,935</u> | <u>659,568</u> | <u>(829,367)</u> |
| Miscellaneous: | | | | |
| St. Bernard's health service | 12,194 | 12,194 | 17,747 | 5,553 |
| Police reimbursement | 170,000 | 170,000 | 130,891 | (39,109) |
| Insurance reimbursement | 20,000 | 20,000 | 24,972 | 4,972 |
| Millstone reimbursement | 15,000 | 15,000 | 15,918 | 918 |
| Fire marshal private duty | 5,000 | 5,000 | - | (5,000) |
| All other miscellaneous | 50,000 | 50,000 | 20,908 | (29,092) |
| Sale of assets | 100,000 | 100,000 | 14,000 | (86,000) |
| Bond premium | 58,298 | 58,298 | 21,429 | (36,869) |
| Mohegan contributions | 500,000 | 500,000 | 500,000 | - |
| WPCA rental | 11,000 | 11,000 | 11,000 | - |
| Engineering review reimbursement | 1,000 | 1,000 | - | (1,000) |
| Total miscellaneous | <u>942,492</u> | <u>942,492</u> | <u>756,865</u> | <u>(185,627)</u> |
| Total charges for services | <u>3,134,503</u> | <u>3,134,503</u> | <u>2,164,999</u> | <u>(969,504)</u> |
| REVENUE FROM USE OF TOWN MONEY | | | | |
| Investment interest | 45,000 | 45,000 | 49,314 | 4,314 |
| Sewer assessments | 145,000 | 145,000 | 190,384 | 45,384 |
| Water assessments | 11,750 | 11,750 | 805 | (10,945) |
| Total revenue from use of Town money | <u>201,750</u> | <u>201,750</u> | <u>240,503</u> | <u>38,753</u> |
| Total revenues | <u>55,551,105</u> | <u>55,551,105</u> | <u>53,820,617</u> | <u>(1,730,488)</u> |
| OTHER FINANCING SOURCES | | | | |
| Cancellation of prior year encumbrances | - | - | 48,927 | 48,927 |
| Appropriation of fund balance | 41,250 | 49,750 | - | (49,750) |
| Transfers in - Internal Service Fund | - | - | 96,903 | 96,903 |
| Transfers in - WPCA Financial Services | 10,000 | 10,000 | 10,000 | - |
| Total other financing sources | <u>51,250</u> | <u>59,750</u> | <u>155,830</u> | <u>96,080</u> |
| Total revenues and other other financing sources | <u>\$ 55,602,355</u> | <u>\$ 55,610,855</u> | <u>\$ 53,976,447</u> | <u>\$ (1,634,408)</u> |

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|------------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| GENERAL GOVERNMENT | | | | |
| Mayor: | | | | |
| Human services | \$ 114,104 | \$ 114,054 | \$ 111,725 | \$ (2,329) |
| Contractual services | 48,185 | 47,436 | 42,642 | (4,794) |
| Commodities | 5,300 | 6,099 | 4,997 | (1,102) |
| Total mayor | <u>167,589</u> | <u>167,589</u> | <u>159,364</u> | <u>(8,225)</u> |
| Town council: | | | | |
| Human services | 21,500 | 23,400 | 23,399 | (1) |
| Commodities | 7,750 | 17,318 | 13,424 | (3,894) |
| Total town council | <u>29,250</u> | <u>40,718</u> | <u>36,823</u> | <u>(3,895)</u> |
| Town attorney | <u>340,000</u> | <u>370,000</u> | <u>355,495</u> | <u>(14,505)</u> |
| Town hall / central services: | | | | |
| Human services | 5,000 | 5,000 | 3,227 | (1,773) |
| Contractual services | 142,250 | 141,750 | 127,077 | (14,673) |
| Commodities | 53,500 | 54,000 | 53,380 | (620) |
| Capital | 1,000 | 1,000 | 596 | (404) |
| Total town hall / central services | <u>201,750</u> | <u>201,750</u> | <u>184,280</u> | <u>(17,470)</u> |
| Probate court: | <u>12,000</u> | <u>12,000</u> | <u>11,923</u> | <u>(77)</u> |
| Finance department: | | | | |
| Human services | 532,790 | 524,212 | 522,593 | (1,619) |
| Contractual services | 156,000 | 167,578 | 166,680 | (898) |
| Commodities | 10,600 | 10,600 | 6,955 | (3,645) |
| Total finance department | <u>699,390</u> | <u>702,390</u> | <u>696,228</u> | <u>(6,162)</u> |
| Insurance and taxes | <u>3,352,455</u> | <u>3,352,455</u> | <u>3,275,364</u> | <u>(77,091)</u> |
| Board of assessment appeals: | | | | |
| Human services | 1,000 | 1,305 | 1,305 | - |
| Commodities | 600 | 295 | 200.00 | (95) |
| Total board of assessment appeals | <u>1,600</u> | <u>1,600</u> | <u>1,505</u> | <u>(95)</u> |
| Auditor | <u>225,500</u> | <u>225,500</u> | <u>225,500</u> | <u>-</u> |
| Other | <u>170,000</u> | <u>73,132</u> | <u>46,881</u> | <u>(26,251)</u> |
| Town clerk: | | | | |
| Human services | 122,762 | 123,232 | 123,214 | (18) |
| Contractual services | 150 | 150 | 130 | (20) |
| Commodities | 21,900 | 21,430 | 12,432 | (8,998) |
| Total town clerk | <u>144,812</u> | <u>144,812</u> | <u>135,776</u> | <u>(9,036)</u> |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
 FOR THE YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|---------------------------------------|------------------|----------------|----------------|---|
| | Original | Final | | |
| GENERAL GOVERNMENT (Continued) | | | | |
| Registrar of voters: | | | | |
| Human services | \$ 35,900 | \$ 36,036 | \$ 36,036 | \$ - |
| Contractual services | 200 | 230 | 215 | (15) |
| Commodities | 1,700 | 1,534 | 798 | (736) |
| Total registrar of voters | <u>37,800</u> | <u>37,800</u> | <u>37,049</u> | <u>(751)</u> |
| Elections / referendum: | | | | |
| Contractual services | 26,000 | 26,000 | 18,219 | (7,781) |
| Commodities | 9,700 | 9,700 | 3,885 | (5,815) |
| Total elections / referendum | <u>35,700</u> | <u>35,700</u> | <u>22,104</u> | <u>(13,596)</u> |
| Land use department: | | | | |
| Human services | 234,534 | 230,743 | 230,384 | (359) |
| Contractual services | 600 | 600 | 381 | (219) |
| Commodities | 16,500 | 18,841 | 17,341 | (1,500) |
| Capital | 250 | 1,700 | 1,534 | (166) |
| Total land use department | <u>251,884</u> | <u>251,884</u> | <u>249,640</u> | <u>(2,244)</u> |
| Inlands wetlands commission: | | | | |
| Human services | 800 | 800 | 800 | - |
| Commodities | 50 | 50 | 50 | - |
| Total inland wetlands commission | <u>850</u> | <u>850</u> | <u>850</u> | <u>-</u> |
| Economic development commission: | | | | |
| Human services | 700 | 700 | 313 | (387) |
| Commodities | 1,400 | 1,400 | 165 | (1,235) |
| Total economic development commission | <u>2,100</u> | <u>2,100</u> | <u>478</u> | <u>(1,622)</u> |
| Building board of appeals | 50 | 50 | - | (50) |
| Zoning board of appeals: | 600 | 600 | 544 | (56) |
| Senior Center: | | | | |
| Human services | 141,550 | 141,146 | 140,962 | (184) |
| Contractual services | 33,500 | 32,917 | 31,605 | (1,312) |
| Commodities | 13,115 | 14,102 | 13,864 | (238) |
| Total senior center | <u>188,165</u> | <u>188,165</u> | <u>186,431</u> | <u>(1,734)</u> |
| Youth services: | | | | |
| Human services | 142,394 | 142,964 | 142,959 | (5) |
| Contractual services | 42,925 | 43,525 | 42,900 | (625) |
| Commodities | 5,480 | 4,510 | 4,346 | (164) |
| Total youth services | <u>190,799</u> | <u>190,999</u> | <u>190,205</u> | <u>(794)</u> |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|--------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| GENERAL GOVERNMENT (Continued) | | | | |
| Private duty | \$ 125,000 | \$ 125,000 | \$ 92,419 | \$ (32,581) |
| Building inspector: | | | | |
| Human services | 166,455 | 167,680 | 167,677 | (3) |
| Contractual services | 315 | 165 | 165 | - |
| Commodities | 2,450 | 1,775 | 1,697 | (78) |
| Capital | 400 | - | - | - |
| Total building inspector | <u>169,620</u> | <u>169,620</u> | <u>169,539</u> | <u>(81)</u> |
| School building committee: | <u>300</u> | <u>300</u> | <u>34</u> | <u>(266)</u> |
| Information technology: | | | | |
| Human services | 73,796 | 73,796 | 73,796 | - |
| Contractual services | 210,300 | 209,300 | 208,914 | (386) |
| Commodities | 2,360 | 3,360 | 3,350 | (10) |
| Total information technology | <u>286,456</u> | <u>286,456</u> | <u>286,060</u> | <u>(396)</u> |
| Total general government | <u>6,633,670</u> | <u>6,581,470</u> | <u>6,364,492</u> | <u>(216,978)</u> |
| PUBLIC SAFETY | | | | |
| Emergency management: | | | | |
| Human services | 72,582 | 73,890 | 73,886 | (4) |
| Contractual services | 15,000 | 13,812 | 13,183 | (629) |
| Commodities | 3,285 | 3,165 | 1,650 | (1,515) |
| Total emergency management | <u>90,867</u> | <u>90,867</u> | <u>88,719</u> | <u>(2,148)</u> |
| Police department: | | | | |
| Human services | 1,721,418 | 1,779,005 | 1,778,999 | (6) |
| Contractual services | 130,000 | 141,192 | 137,611 | (3,581) |
| Commodities | 48,995 | 46,900 | 36,256 | (10,644) |
| Capital | 18,500 | 18,816 | 18,316 | (500) |
| Total police department | <u>1,918,913</u> | <u>1,985,913</u> | <u>1,971,182</u> | <u>(14,731)</u> |
| Fire marshal: | | | | |
| Human services | 81,049 | 82,752 | 82,491 | (261) |
| Commodities | 4,935 | 3,232 | 2,316 | (916) |
| Total fire marshal | <u>85,984</u> | <u>85,984</u> | <u>84,807</u> | <u>(1,177)</u> |
| Animal control: | | | | |
| Human services | 52,155 | 50,919 | 50,914 | (5) |
| Contractual services | 2,635 | 3,416 | 3,253 | (163) |
| Commodities | 4,260 | 4,715 | 4,647 | (68) |
| Total animal control | <u>59,050</u> | <u>59,050</u> | <u>58,814</u> | <u>(236)</u> |
| Public safety commission: | | | | |
| Human services | 1,650 | 3,002 | 3,001 | (1) |
| Commodities | 50,100 | 48,748 | 46,000 | (2,748) |
| Total public safety commission | <u>51,750</u> | <u>51,750</u> | <u>49,001</u> | <u>(2,749)</u> |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|------------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| PUBLIC SAFETY (Continued) | | | | |
| Public safety building commission: | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ - |
| Dispatch: | | | | |
| Human services | 269,390 | 274,069 | 274,068 | (1) |
| Commodities | 6,050 | 3,171 | 3,131 | (40) |
| Total dispatch | 275,440 | 277,240 | 277,199 | (41) |
| Fire protection: | | | | |
| Human services | 714,240 | 714,240 | 684,953 | (29,287) |
| Contractual services | 376,487 | 376,487 | 376,487 | - |
| Commodities | 74,820 | 74,820 | 63,315 | (11,505) |
| Total fire protection | 1,165,547 | 1,165,547 | 1,124,755 | (40,792) |
| Public safety building: | | | | |
| Contractual services | 47,500 | 51,814 | 51,279 | (535) |
| Commodities | 1,000 | 686 | 684 | (2) |
| Total public safety building | 48,500 | 52,500 | 51,963 | (537) |
| Total public safety | 3,697,051 | 3,769,851 | 3,707,440 | (62,411) |
| PUBLIC WORKS | | | | |
| Public works: | | | | |
| Human services | 1,202,307 | 1,147,174 | 1,144,472 | (2,702) |
| Contractual services | 573,550 | 462,812 | 428,249 | (34,563) |
| Commodities | 426,700 | 559,175 | 531,981 | (27,194) |
| Capital | 6,600 | 15,496 | 12,618 | (2,878) |
| Total public works | 2,209,157 | 2,184,657 | 2,117,320 | (67,337) |
| Camp oakdale: | | | | |
| Contractual services | 46,300 | 43,423 | 41,873 | (1,550) |
| Commodities | 12,000 | 14,877 | 14,139 | (738) |
| Total camp oakdale | 58,300 | 58,300 | 56,012 | (2,288) |
| Solid waste: | | | | |
| Human services | 131,192 | 128,469 | 125,333 | (3,136) |
| Contractual services | 889,250 | 888,122 | 829,539 | (58,583) |
| Commodities | 32,200 | 36,581 | 36,006 | (575) |
| Capital | 8,000 | 7,470 | 7,414 | (56) |
| Total solid waste | 1,060,642 | 1,060,642 | 998,292 | (62,350) |
| Engineering services | 105,000 | 105,000 | 98,166 | (6,834) |
| Total public works | 3,433,099 | 3,408,599 | 3,269,790 | (138,809) |
| HEALTH AND WELFARE | | | | |
| Contractual services | 177,448 | 180,590 | 180,589 | (1) |
| Commodities | 700 | 558 | 434 | (124) |
| Total health and welfare | 178,148 | 181,148 | 181,023 | (125) |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | Actual | Variance With Final Budget Over (Under) |
|---------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| SOCIAL SERVICES | | | | |
| Human services | \$ 30,031 | \$ 29,640 | \$ 28,460 | \$ (1,180) |
| Contractual services | 2,650 | 2,951 | 2,558 | (393) |
| Commodities | 550 | 640 | 555 | (85) |
| Total social services | <u>33,231</u> | <u>33,231</u> | <u>31,573</u> | <u>(1,658)</u> |
| RECREATION AND LEISURE | | | | |
| Recreation. | | | | |
| Human services | 194,079 | 191,092 | 186,816 | (4,276) |
| Contractual services | 765 | 870 | 760 | (110) |
| Commodities | 27,760 | 30,435 | 25,646 | (4,789) |
| Capital | 600 | 807 | 357 | (450) |
| Total recreation | <u>223,204</u> | <u>223,204</u> | <u>213,579</u> | <u>(9,625)</u> |
| Fair oaks building | <u>32,800</u> | <u>42,200</u> | <u>41,231</u> | <u>(969)</u> |
| Parks and recreation commission: | | | | |
| Human services | 3,000 | 3,000 | 2,248 | (752) |
| Commission | 150 | 150 | 27 | (123) |
| Total parks and recreation commission | <u>3,150</u> | <u>3,150</u> | <u>2,275</u> | <u>(875)</u> |
| Total recreation and leisure | <u>259,154</u> | <u>268,554</u> | <u>257,085</u> | <u>(11,469)</u> |
| MISCELLANEOUS | | | | |
| Donations to organizations | 61,550 | 61,550 | 48,250 | (13,300) |
| Commission on aging | 100 | 100 | - | (100) |
| Total miscellaneous | <u>61,650</u> | <u>61,650</u> | <u>48,250</u> | <u>(13,400)</u> |
| EDUCATION | <u>36,632,735</u> | <u>36,632,735</u> | <u>36,617,890</u> | <u>(14,845)</u> |
| CAPITAL OUTLAY | <u>561,200</u> | <u>561,200</u> | <u>316,461</u> | <u>(244,739)</u> |
| DEBT SERVICE | | | | |
| Redemption of debt - principal | 2,645,000 | 2,645,000 | 2,645,000 | - |
| Interest payments | <u>1,467,417</u> | <u>1,467,417</u> | <u>1,403,666</u> | <u>(63,751)</u> |
| Total debt service | <u>4,112,417</u> | <u>4,112,417</u> | <u>4,048,666</u> | <u>(63,751)</u> |
| Total expenditures | <u>55,602,355</u> | <u>55,610,855</u> | <u>54,842,670</u> | <u>(768,185)</u> |

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2012

| Grand List Year | Balance Uncollected June 30, 2011 | Current Levy | Lawful Corrections | | Transfers To Suspense | Balance To Be Collected | Taxes | Collections | | Balance Uncollected June 30, 2012 |
|-----------------|-----------------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------------------|
| | | | Additions | Deductions | | | | Interest, Liens and Fees | Total | |
| 1995 | \$ 15,352 | - | - | \$ 15,352 | - | \$ - | - | \$ - | - | \$ - |
| 1996 | 14,594 | - | - | 5,933 | - | 8,661 | 1,332 | - | 1,332 | 7,329 |
| 1997 | 20,593 | - | - | 6,146 | - | 14,447 | 1,380 | - | 1,380 | 13,067 |
| 1998 | 20,988 | - | - | 6,264 | - | 14,724 | 1,406 | - | 1,406 | 13,318 |
| 1999 | 16,717 | - | - | 6,360 | - | 10,357 | 1,427 | - | 1,427 | 8,930 |
| 2000 | 18,551 | - | - | 6,548 | - | 12,003 | 1,470 | - | 1,470 | 10,533 |
| 2001 | 21,917 | - | - | 6,518 | - | 15,399 | 1,407 | - | 1,407 | 13,992 |
| 2002 | 23,381 | - | 1,022 | 9,266 | - | 15,137 | 1,734 | 245 | 1,979 | 13,403 |
| 2003 | 32,746 | - | - | 13,681 | - | 19,065 | 4,469 | 436 | 4,905 | 14,596 |
| 2004 | 41,247 | - | - | 17,232 | 201 | 23,814 | 5,692 | 3,230 | 8,922 | 18,122 |
| 2005 | 49,274 | - | 235 | 22,437 | 534 | 26,538 | 2,778 | 4,328 | 7,106 | 23,760 |
| 2006 | 94,021 | - | 2,721 | 8,013 | 47,209 | 41,520 | 15,271 | 11,683 | 26,954 | 26,249 |
| 2007 | 131,365 | - | 2,026 | 8,580 | 2,205 | 122,606 | 36,898 | 15,446 | 52,344 | 85,708 |
| 2008 | 257,451 | - | 22,196 | 9,033 | 28,042 | 242,572 | 99,436 | 39,570 | 139,006 | 143,136 |
| 2009 | 657,694 | - | 26,744 | 17,442 | 28,889 | 638,107 | 336,606 | 78,337 | 414,943 | 301,501 |
| 2010 | - | 35,089,735 | 56,702 | 91,765 | 1,415 | 35,033,257 | 33,078,939 | 148,261 | 33,227,200 | 1,974,318 |
| | <u>\$ 1,415,891</u> | <u>\$ 35,089,735</u> | <u>\$ 111,646</u> | <u>\$ 250,570</u> | <u>\$ 108,495</u> | <u>\$ 36,258,207</u> | <u>\$ 33,590,245</u> | <u>\$ 301,536</u> | <u>\$ 33,891,781</u> | <u>\$ 2,667,962</u> |

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2012

Total cash collections for the year ended
June 30, 2012:

| | |
|--------------------------------------|---------------|
| Taxes | \$ 33,590,245 |
| Interest and lien fees | 301,536 |
| Total | 33,891,781 |
| Reimbursement for revenue loss: | - |
| Tax relief for elderly (CGS 12-129d) | - |
| Base | \$ 33,891,781 |

| | General Purposes | Schools | Sewers | Urban Renewal | Pension Deficit |
|---|---------------------|----------------|----------------|------------------|--------------------|
| Debt limitation: | | | | | |
| 2-1/4 times base | \$ 76,256,507 | \$ - | \$ - | \$ - | \$ - |
| 4-1/2 times base | - | 152,513,015 | - | - | - |
| 3-3/4 times base | - | - | 127,094,179 | - | - |
| 3-1/4 times base | - | - | - | 110,148,288 | - |
| 3 times base | - | - | - | - | 101,675,343 |
| Total debt limitation | 76,256,507 | 152,513,015 | 127,094,179 | 110,148,288 | 101,675,343 |
| Indebtedness: | | | | | |
| Bonds payable | 21,297,600 | 14,255,000 | 1,422,400 | - | - |
| Bond anticipation note payable | 10,625,000 | - | 1,500,000 | - | - |
| Authorized but unissued bonds | 700,000 | 3,900,500 | - | - | - |
| Total indebtedness | 32,622,600 | 18,155,500 | 2,922,400 | - | - |
| Less: assessments receivable | 208,168 | - | - | - | - |
| Less: School construction grants receivable | - | 1,710,785 | - | - | - |
| Net indebtedness | 32,414,432 | 16,444,715 | 2,922,400 | - | - |
| Debt limitation in excess of outstanding and authorized debt | \$ 43,842,075 | \$ 136,068,300 | \$ 124,171,779 | \$ 110,148,288 | \$ 101,675,343 |
| Total capacity of borrowing (7 times base) | \$ 237,242,467 | | | | |
| Total present indebtedness | 51,781,547 | | | | |
| Margin for additional borrowing | \$ 185,460,920 | | | | |

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE II
FOR THE YEAR ENDED JUNE 30, 2012

| Year Ended June 30, | Uncollected Assessments at Beginning of Year | Corrections | | Adjusted Assessments Collectible | Assessments Collected | Collections | | Uncollected Assessments at Year End |
|---------------------|--|-------------|------------|----------------------------------|-----------------------|------------------------|------------|-------------------------------------|
| | | Additions | Deductions | | | Interest and Lien Fees | Total | |
| 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 |
| 2012 | \$ 333,953 | - | 20 | \$ 333,933 | \$ 138,002 | \$ 25,776 | \$ 163,778 | \$ 195,931 |

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE IIA
FOR THE YEAR ENDED JUNE 30, 2012

| Year Ended June 30, | Uncollected Assessments at Beginning of Year | Corrections | | Adjusted Assessments Collectible | Assessments Collected | Collections | | Uncollected Assessments at Year End |
|---------------------|--|-------------|------------|----------------------------------|-----------------------|------------------------|-----------|-------------------------------------|
| | | Additions | Deductions | | | Interest and Lien Fees | Total | |
| 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 |
| 2012 | \$ 15,407 | 165 | \$ - | \$ 15,572 | \$ 12,344 | \$ 1,682 | \$ 14,026 | \$ 3,228 |

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2012

| Year Ended June 30, | Uncollected Assessments at Beginning of Year | Corrections | | Adjusted Assessments Collectible | Assessments Collected | Collections | | Uncollected Assessments at Year End |
|---------------------|--|-------------|------------|----------------------------------|-----------------------|------------------------|-----------|-------------------------------------|
| | | Additions | Deductions | | | Interest and Lien Fees | Total | |
| 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 |
| 2012 | \$ 2,873 | - | - | \$ 2,873 | \$ - | \$ - | \$ - | \$ 2,873 |

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS- PHASE IV
FOR THE YEAR ENDED JUNE 30, 2012

| Year Ended June 30, | Uncollected Assessments at Beginning of Year | Corrections | | Adjusted Assessments Collectible | Assessments Collected | Collections | | Uncollected Assessments at Year End |
|---------------------|--|-------------|------------|----------------------------------|-----------------------|------------------------|-----------|-------------------------------------|
| | | 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 |
| 2012 | \$ 6,673 | - | \$ - | \$ 6,673 | \$ 537 | \$ 268 | \$ 805 | \$ 6,136 |

Nonmajor
Governmental
Funds

TOWN OF MONTEVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

| | 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 | \$ - | \$ 272,911 | \$ 51,048 | \$ - | \$ - | \$ - |
| Receivables: | | | | | | |
| Intergovernmental | - | 74,089 | - | - | - | - |
| Other | - | 2,408 | - | - | - | - |
| Due from other funds | - | - | - | 152,487 | 11,895 | 734 |
| Inventories | - | 16,963 | - | - | - | - |
| Total assets | \$ - | \$ 366,371 | \$ 51,048 | \$ 152,487 | \$ 11,895 | \$ 734 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 2,079 | \$ 11,151 | \$ - | \$ 3,677 | \$ 274 | \$ - |
| Due to other funds | 58,578 | - | - | - | - | - |
| Unearned/deferred revenue | - | - | 51,048 | - | - | - |
| Total liabilities | \$ 60,657 | \$ 11,151 | \$ 51,048 | \$ 3,677 | \$ 274 | \$ - |
| Fund Balances (deficits): | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | - | 16,963 | - | - | - | - |
| Restricted for: | | | | | | |
| Grant program purposes | - | - | - | - | - | - |
| External | - | - | - | - | - | 734 |
| Committed to: | | | | | | |
| Education | - | 338,257 | - | - | - | - |
| Recreation | - | - | - | - | - | - |
| Other governmental purposes | - | - | - | 148,810 | 11,621 | - |
| Capital projects | - | - | - | - | - | - |
| Unassigned | (60,657) | - | - | - | - | - |
| Total fund balances (deficits) | (60,657) | 355,220 | - | 148,810 | 11,621 | 734 |
| Total liabilities and fund balances (deficits) | \$ - | \$ 366,371 | \$ 51,048 | \$ 152,487 | \$ 11,895 | \$ 734 |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2012

| | Nonmajor Special Revenue Funds | | | Total 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 | \$ - | \$ - | \$ - | \$ 323,959 | \$ - | \$ 259,950 |
| Receivables: | | | | | | |
| Intergovernmental | - | - | - | 74,089 | 3,953 | - |
| Other | - | - | - | 2,408 | - | - |
| Due from other funds | 3,299 | 1,920 | 22,240 | 192,575 | 331,805 | 252,531 |
| Inventories | - | - | - | 16,963 | - | - |
| Total assets | <u>\$ 3,299</u> | <u>\$ 1,920</u> | <u>\$ 22,240</u> | <u>\$ 609,994</u> | <u>\$ 335,758</u> | <u>\$ 512,481</u> |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 8,242 | \$ 25,423 | \$ - | \$ 65,674 |
| Due to other funds | - | - | - | 58,578 | 252,531 | 268,859 |
| Unearned/deferred revenue | - | - | - | 51,048 | - | - |
| Total liabilities | - | - | 8,242 | 135,049 | 252,531 | 334,533 |
| Fund Balances (deficits): | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | - | - | - | 16,963 | - | - |
| Restricted for: | | | | | | |
| Grant program purposes | - | - | - | - | 83,227 | - |
| External | - | 1,920 | - | 2,654 | - | - |
| Committed to: | | | | | | |
| Education | - | - | - | 338,257 | - | - |
| Recreation | - | - | 13,998 | 13,998 | - | - |
| Other governmental purposes | 3,299 | - | - | 163,730 | - | - |
| Capital projects | - | - | - | - | - | 177,948 |
| Unassigned | - | - | - | (60,657) | - | - |
| Total fund balances (deficits) | <u>3,299</u> | <u>1,920</u> | <u>13,998</u> | <u>474,945</u> | <u>83,227</u> | <u>177,948</u> |
| Total liabilities and fund balances (deficits) | <u>\$ 3,299</u> | <u>\$ 1,920</u> | <u>\$ 22,240</u> | <u>\$ 609,994</u> | <u>\$ 335,758</u> | <u>\$ 512,481</u> |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2012

| | 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 | \$ - | \$ - | \$ - | \$ 44,113 | \$ - | \$ - |
| Receivables: | | | | | | |
| Intergovernmental | - | 61,370 | - | - | - | - |
| Other | - | - | - | - | - | - |
| Due from other funds | 153,283 | - | 280,968 | 1,798 | 5,000 | 936 |
| Inventories | - | - | - | - | - | - |
| Total assets | \$ 153,283 | \$ 61,370 | \$ 280,968 | \$ 45,911 | \$ 5,000 | \$ 936 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 23,690 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 84,088 | - | - | - | - |
| Unearned/deferred revenue | - | - | - | - | - | 936 |
| Total liabilities | 23,690 | 84,088 | - | - | - | 936 |
| Fund Balances (deficits): | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | - | - | - | - | - | - |
| Restricted for: | | | | | | |
| Grant program purposes | - | - | - | - | - | - |
| External | - | - | - | - | - | - |
| Committed to: | | | | | | |
| Education | - | - | - | - | - | - |
| Recreation | - | - | - | - | - | - |
| Other governmental purposes | - | - | - | - | - | - |
| Capital projects | 129,593 | - | 280,968 | 45,911 | 5,000 | - |
| Unassigned | - | (22,718) | - | - | - | - |
| Total fund balances (deficits) | 129,593 | (22,718) | 280,968 | 45,911 | 5,000 | - |
| Total liabilities and fund balances (deficits) | \$ 153,283 | \$ 61,370 | \$ 280,968 | \$ 45,911 | \$ 5,000 | \$ 936 |

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Concluded)
JUNE 30, 2012

| | Nonmajor Capital Project Funds | | | | | | Total Nonmajor Governmental Funds |
|---|--------------------------------|----------------------|------------------------------|-----------------------------------|------------------------------------|--------------|---|
| | Bridges Fund | Sewer SEP Fund | Energy Efficiency Fund | Bridge St. Remediation Fund | Total Capital Projects Funds | | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ 304,063 | \$ 628,022 | |
| Receivables: | | | | | | | |
| Intergovernmental | 53,703 | - | 81,985 | 19,715 | 220,726 | 294,815 | |
| Other | - | - | - | - | - | 2,408 | |
| Due from other funds | - | - | - | - | 1,026,321 | 1,218,896 | |
| Inventories | - | - | - | - | - | 16,963 | |
| Total assets | \$ 53,703 | \$ - | \$ 81,985 | \$ 19,715 | \$ 1,551,110 | \$ 2,161,104 | |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | 735 | \$ - | \$ - | 363 | \$ 90,462 | \$ 115,885 | |
| Due to other funds | 51,546 | - | 81,985 | 19,352 | 758,361 | 816,939 | |
| Unearned/deferred revenue | - | - | - | - | 936 | 51,984 | |
| Total liabilities | 52,281 | - | 81,985 | 19,715 | 849,759 | 984,808 | |
| Fund Balances (deficits): | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory | - | - | - | - | - | 16,963 | |
| Restricted for: | | | | | | | |
| Grant program purposes | 1,422 | - | - | - | 84,649 | 84,649 | |
| External | - | - | - | - | - | 2,654 | |
| Committed to: | | | | | | | |
| Education | - | - | - | - | - | 338,257 | |
| Recreation | - | - | - | - | - | 13,998 | |
| Other governmental purposes | - | - | - | - | - | 163,730 | |
| Capital projects | - | - | - | - | 639,420 | 639,420 | |
| Unassigned | - | - | - | - | (22,718) | (83,375) | |
| Total fund balances (deficits) | 1,422 | - | - | - | 701,351 | 1,176,296 | |
| Total liabilities and fund balances (deficits) | \$ 53,703 | \$ - | \$ 81,985 | \$ 19,715 | \$ 1,551,110 | \$ 2,161,104 | |

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

| | 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 | \$ 166,400 | \$ 496,212 | \$ 1,570,633 | \$ 56,344 | \$ - | \$ - | |
| Charges for services | - | 489,337 | - | 23,076 | 15,855 | - | |
| Donations | - | - | 77,004 | 51,742 | - | 175 | |
| Interest income | - | - | - | - | - | - | |
| Total revenues | 166,400 | 985,549 | 1,647,637 | 131,162 | 15,855 | 175 | |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | 146,960 | 14,993 | - | |
| Public works | 232,307 | - | - | - | - | - | |
| Education | - | 909,428 | 1,647,637 | - | - | - | |
| Recreation and leisure | - | - | - | - | - | - | |
| Capital outlays | - | - | - | - | - | - | |
| Total expenditures | 232,307 | 909,428 | 1,647,637 | 146,960 | 14,993 | - | |
| Excess (deficiency) of revenues over expenditures | (65,907) | 76,121 | - | (15,798) | 862 | 175 | |
| OTHER FINANCING SOURCES | | | | | | | |
| Proceeds from issuance of bond anticipation notes | - | - | - | - | - | - | |
| Net change in fund balances | (65,907) | 76,121 | - | (15,798) | 862 | 175 | |
| Fund balances - beginning | 5,250 | 279,099 | - | 164,608 | 10,759 | 559 | |
| Fund balances (deficits) - ending | \$ (60,657) | \$ 355,220 | \$ - | \$ 148,810 | \$ 11,621 | \$ 734 | (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, 2012

| | 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 | Capital Nonrecurring Fund |
| REVENUES | | | | | | |
| Intergovernmental | \$ 3,500 | \$ - | \$ - | \$ 2,293,089 | \$ 95,074 | \$ - |
| Charges for services | 5,998 | - | 68,466 | 602,732 | 11,370 | - |
| Donations | - | 555 | - | 129,476 | - | - |
| Interest income | - | - | - | - | - | 36 |
| Total revenues | 9,498 | 555 | 68,466 | 3,025,297 | 106,444 | 36 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 11,529 | - | - | 173,482 | - | - |
| Public works | - | - | - | 232,307 | - | - |
| Education | - | - | - | 2,557,065 | - | - |
| Recreation and leisure | - | - | 62,366 | 62,366 | - | - |
| Capital outlays | - | - | - | - | 95,074 | 159,755 |
| Total expenditures | 11,529 | - | 62,366 | 3,025,220 | 95,074 | 159,755 |
| Excess (deficiency) of revenues over expenditures | (2,031) | 555 | 6,100 | 77 | 11,370 | (159,719) |
| OTHER FINANCING SOURCES | | | | | | |
| Proceeds from issuance of bond anticipation notes | - | - | - | - | - | - |
| Net change in fund balances | (2,031) | 555 | 6,100 | 77 | 11,370 | (159,719) |
| Fund balances - beginning | 5,330 | 1,365 | 7,898 | 474,868 | 71,857 | 337,667 |
| Fund balances (deficits) - ending | \$ 3,299 | \$ 1,920 | \$ 13,998 | \$ 474,945 | \$ 83,227 | \$ 177,948 |

(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, 2012

| | Nonmajor Capital Project Funds | | | | | |
|--|--------------------------------|---|----------------|---------------------------------|-----------------------|-----------------------------|
| | Capital Projects Funds | Palmertown Water Project Phase 2 Fund | Bonded Fund | Black Ash Swamp Road Fund | Open Space Fund | Community Center Fund |
| REVENUES | | | | | | |
| Intergovernmental | - | \$ 343,428 | - | - | - | \$ 37,626 |
| Charges for services | - | - | - | - | - | - |
| Donations | - | - | - | - | - | - |
| Interest income | - | - | - | 6 | - | - |
| Total revenues | - | \$ 343,428 | - | 6 | - | \$ 37,626 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - |
| Education | - | - | - | - | - | - |
| Recreation and leisure | - | - | - | - | - | - |
| Capital outlays | 48,279 | 366,146 | 544,032 | - | - | 37,626 |
| Total expenditures | 48,279 | 366,146 | 544,032 | - | - | 37,626 |
| Excess (deficiency) of revenues over expenditures | (48,279) | (22,718) | (544,032) | 6 | - | - |
| OTHER FINANCING SOURCES | | | | | | |
| Proceeds from issuance of bond anticipation notes | - | - | 825,000 | - | - | - |
| Net change in fund balances | (48,279) | (22,718) | 280,968 | 6 | - | - |
| Fund balances - beginning | 177,872 | - | - | 45,905 | 5,000 | - |
| Fund balances (deficits) - ending | \$ 129,593 | \$ (22,718) | \$ 280,968 | \$ 45,911 | \$ 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, 2012

| | Nonmajor Capital Project Funds | | | | | | | Total Nonmajor Governmental Funds |
|--|--------------------------------|----------------------|------------------------------|-----------------------------------|------------------------------------|--|--------------|---|
| | Bridges Fund | Sewer SEP Fund | Energy Efficiency Fund | Bridge St. Remediation Fund | Total Capital Projects Funds | | | |
| REVENUES | | | | | | | | |
| Intergovernmental | 90,786 | \$ - | \$ 11,485 | \$ 19,715 | \$ 598,114 | | \$ 2,891,203 | |
| Charges for services | - | - | - | - | 11,370 | | 614,102 | |
| Donations | - | 11,373 | - | - | 11,373 | | 140,849 | |
| Interest income | - | - | - | - | 42 | | 42 | |
| Total revenues | 90,786 | 11,373 | 11,485 | 19,715 | 620,899 | | 3,646,196 | |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | | 173,482 | |
| Public works | - | - | - | - | - | | 232,307 | |
| Education | - | - | - | - | - | | 2,557,065 | |
| Recreation and leisure | - | - | - | - | - | | 62,366 | |
| Capital outlays | 90,786 | 201,532 | 11,485 | 19,715 | 1,574,430 | | 1,574,430 | |
| Total expenditures | 90,786 | 201,532 | 11,485 | 19,715 | 1,574,430 | | 4,599,650 | |
| Excess (deficiency) of revenues over expenditures | - | (190,159) | - | - | (953,531) | | (953,454) | |
| OTHER FINANCING SOURCES | | | | | | | | |
| Proceeds from issuance of bond anticipation notes | - | - | - | - | 825,000 | | 825,000 | |
| Net change in fund balances | - | (190,159) | - | - | (128,531) | | (128,454) | |
| Fund balances - beginning | 1,422 | 190,159 | - | - | 829,882 | | 1,304,750 | |
| Fund balances (deficits) - ending | \$ 1,422 | \$ - | \$ - | \$ - | \$ 701,351 | | \$ 1,176,296 | |

(Continued)

Fiduciary Funds

TOWN OF MONTVILLE, CONNECTICUT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

| | <u>Student Activities</u> | <u>Performance Bonds</u> | <u>Total Agency Funds</u> |
|---------------------------|-------------------------------|------------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 228,982 | \$ 156,140 | \$ 385,122 |
| Investments | 11,193 | - | 11,193 |
| Total assets | <u>\$ 240,175</u> | <u>\$ 156,140</u> | <u>\$ 396,315</u> |
| LIABILITIES | | | |
| Due to student groups | \$ 240,175 | - | \$ 240,175 |
| Due to others | - | 156,140 | 156,140 |
| Total liabilities | <u>\$ 240,175</u> | <u>\$ 156,140</u> | <u>\$ 396,315</u> |

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING STATEMENT OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

| | <u>Balance, July 1, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, June 30, 2012</u> |
|-------------------------------|----------------------------------|-------------------|-------------------|-----------------------------------|
| Student Activities | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 225,783 | \$ 549,060 | \$ 545,861 | \$ 228,982 |
| Investments | 33,297 | - | 22,104 | 11,193 |
| Total assets | <u>\$ 259,080</u> | <u>\$ 549,060</u> | <u>\$ 567,965</u> | <u>\$ 240,175</u> |
| Liabilities | | | | |
| Due to student groups | \$ 259,080 | \$ 549,060 | \$ 567,965 | \$ 240,175 |
| Total liabilities | <u>\$ 259,080</u> | <u>\$ 549,060</u> | <u>\$ 567,965</u> | <u>\$ 240,175</u> |
| Performance Bonds | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 345,070 | \$ 3,000 | \$ 191,930 | \$ 156,140 |
| Total assets | <u>\$ 345,070</u> | <u>\$ 3,000</u> | <u>\$ 191,930</u> | <u>\$ 156,140</u> |
| Liabilities | | | | |
| Due to others | \$ 345,070 | \$ 3,000 | \$ 191,930 | \$ 156,140 |
| Total liabilities | <u>\$ 345,070</u> | <u>\$ 3,000</u> | <u>\$ 191,930</u> | <u>\$ 156,140</u> |
| Total All Agency Funds | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 570,853 | \$ 552,060 | \$ 737,791 | \$ 385,122 |
| Investments | 33,297 | - | 22,104 | 11,193 |
| Total assets | <u>\$ 604,150</u> | <u>\$ 552,060</u> | <u>\$ 759,895</u> | <u>\$ 396,315</u> |
| Liabilities | | | | |
| Due to student groups | \$ 259,080 | \$ 549,060 | \$ 567,965 | \$ 240,175 |
| Due to others | 345,070 | 3,000 | 191,930 | 156,140 |
| Total liabilities | <u>\$ 604,150</u> | <u>\$ 552,060</u> | <u>\$ 759,895</u> | <u>\$ 396,315</u> |

Federal and State Single Audit Reports

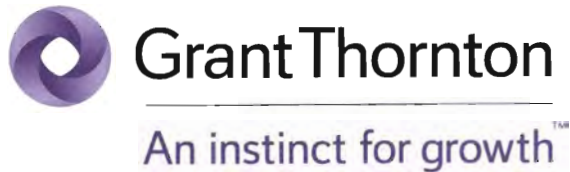
Town of Montville, Connecticut

June 30, 2012

Contents

| | Page |
|---|-------------|
| INTERNAL CONTROL AND COMPLIANCE REPORT | |
| Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters | 1 |
| FEDERAL SINGLE AUDIT SECTION | |
| Report of Independent Certified Public Accountants on Compliance Related to Major Programs (OMB Circular A-133) and on Internal Control over Compliance | 3 |
| Report of Independent Certified Public Accountants on the Schedule of Expenditures of Federal Awards | 5 |
| Schedule of Expenditures of Federal Awards | |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to Schedule of Expenditures of Federal Awards | 7 |
| Schedule of Federal Findings and Questioned Costs | 8 |
| STATE SINGLE AUDIT SECTION | |
| Report of Independent Certified Public Accountants on Compliance Related to Major Programs (Connecticut State Single Audit Act) and on Internal Control over Compliance | 10 |
| Report of Independent Certified Public Accountants on the Schedule of Expenditures of State Financial Assistance | 12 |
| Schedule of Expenditures of State Financial Assistance | |
| Schedule of Expenditures of State Financial Assistance | 13 |
| Notes to Schedule of Expenditures of State Financial Assistance | 15 |
| Schedule of State Findings and Questioned Costs | 16 |

Internal
Control and
Compliance
Report



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Town's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Our audit was also no designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Federal Findings and Questioned Costs as item 2012-1, that we consider to be a significant deficiency in the Town's internal control over financial reporting.

Compliance and Other Matters

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

We did not audit the Town's written response to the matters described in the accompanying Schedule of Federal Findings and Questioned Costs and accordingly, we express no opinion on it.

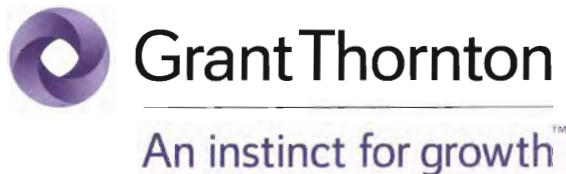
We noted certain matters that we reported to management of the Town in a separate letter dated February 28, 2013.

This report is intended solely for the information and use of the Town Council and management of the Town, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Graut Thornton LLP

Glastonbury, Connecticut
February 28, 2013

Federal Single Audit Section



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE RELATED TO MAJOR PROGRAMS (OMB CIRCULAR A-133) AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

We have audited the compliance of the Town of Montville, Connecticut (the “Town”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town’s major federal programs for the year ended June 30, 2012. The Town’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Federal Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town’s management. Our responsibility is to express an opinion on the Town’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town’s compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over compliance. Accordingly, we express no such opinion.

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

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Town's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

This report is intended solely for the information and use of the Board of Finance and management of the Town, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grout Thornton LLP

Glastonbury, Connecticut
February 28, 2013



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2012, and our report dated February 28, 2013, expressed unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on these financial statements that collectively comprise the Town's financial statements.

The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 US GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Glastonbury, Connecticut
February 28, 2013

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

| Grantor; Pass-Through Grantor; Program Title | Grant Number | Federal CFDA Number | Expenditures |
|---|----------------------|---------------------|---------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Direct: | | | |
| National School Lunch Program - USDA Commodities | - | 10.555 | \$ 34,571 |
| Passed through the State of Connecticut Department of Education: | | | |
| National School Breakfast Program | 12060-SDE64370-20508 | 10.553 | 89,370 |
| National School Lunch Program | 12060-SDE64370-20560 | 10.555 | 320,057 |
| | | | <u>409,427</u> |
| Total U.S. Department of Agriculture | | | <u>443,998</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed through the State of Connecticut Department of Education: | | | |
| Special Education - Grants to States | 12060-SDE64370-20977 | 84.027 | 627,898 |
| Special Education - Grants to States, Recovery Act | 12060-SDE64370-29011 | 84.391 | 13,337 |
| Special Education - Preschool Grants | 12060-SDE64370-20983 | 84.173 | 15,307 |
| | | | <u>656,542</u> |
| Title I - Grants to Local Educational Agencies | 12060-SDE64370-20679 | 84.010 | 115,318 |
| Title II - Part A Improving Teacher Quality | 12060-SDE64370-20858 | 84.367 | 82,056 |
| Title III - Part A English Language Acquisition | 12060-SDE64370-20868 | 84.365 | 44,234 |
| Carl D. Perkins Vocational and Applied Technology | 12060-SDE64370-20742 | 84.048 | 22,733 |
| Education Jobs Funds | 12060-SDE64370-22405 | 84.410 | 622,147 |
| Total U.S. Department of Education | | | <u>1,543,030</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Passed through the State of Connecticut Department of Transportation: | | | |
| Highway Planning and Construction, Recovery Act | 12062-DOT57151-29016 | 20.205 | 90,786 |
| Federal Highway Safety Grants | 12062-DOT57513-20559 | 20.600 | 3,000 |
| Alcohol Traffic Safety Grants | 12062-DOT57513-22091 | 20.607 | 44,170 |
| Safety Belt Performance Grant | 12062-DOT57513-22093 | 20.609 | 2,500 |
| Total U.S. Department of Transportation | | | <u>140,456</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed through the State of Connecticut Department of Public Safety: | | | |
| Disaster Grants - Public Assistance | 12060-DPS32985-21891 | 97.036 | 136,970 |
| Emergency Management Performance Grant | 12060-DPS32982-21881 | 97.042 | 9,806 |
| Total U.S. Department of Homeland Security | | | <u>146,776</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | |
| Passed through the State of Connecticut Department of Economic Development | | | |
| Brownfields Assessment and Cleanup Cooperative Agreements | 12060-ECD46440-21775 | 66.818 | 19,715 |
| U.S. DEPARTMENT OF ENERGY | | | |
| Passed through the State of Connecticut Office of Policy and Management: | | | |
| Energy Efficiency and Conservation Block Grant, Recovery Act | 12060-OPM20810-29009 | 81.128 | 11,485 |
| TOTAL FEDERAL AWARDS EXPENDED | | | <u>\$ 2,305,460</u> |

The accompanying notes are an integral part of this schedule.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

The accounting policies of the Town of Montville, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of federal awards.

NOTE B - OTHER FEDERAL ASSISTANCE

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$34,571 is reflected in the expenditures column in the accompanying schedule of expenditures of federal awards and represents the market value of such commodities received during the period.

No other federal assistance was received in the form of loans, loan guarantees or insurance.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

○ Material weakness(es) identified? _____ Yes ✓ No
 None reported

○ Significant deficiency(ies) identified? ✓ Yes _____ reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards

Internal control over major programs:

○ Material weakness(es) identified? _____ Yes ✓ No
 None reported

○ Significant deficiency(ies) identified? _____ Yes ✓ reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? _____ Yes ✓ No

Identification of major programs:

| CFDA Number | Name of Federal Program |
|---------------|--------------------------|
| 97.036 | Public Assistance Grants |
| 84.410 | Education Jobs Funds |
| 10.553/10.555 | Child Nutrition Cluster |

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

Auditee qualified as low-risk auditee? ✓ Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2012-1 Significant Deficiency in Year-end Close - WPCA

Criteria

The Water Pollution Control Authority (“WPCA”) should have year-end closing procedures to ensure the accounting records are maintained in conformity with accounting principles generally accepted in the United States of America.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2012-1 Significant Deficiency in Year-end Close – WPCA (Continued)

Condition

Although certain reconciliations were performed, it was noted that not all accounts had been properly adjusted as of year-end.

Effect

Audit adjustments were required to properly close out various accounts within the WPCA.

Cause

Prior year WPCA accounts were maintained by the Town. The transition of records in the current year led to difficulties in the year-end close.

Auditors' Recommendation

We recommend that the WPCA develop and implement a comprehensive plan related to the year-end close of all funds, to ensure that all accounts are reconciled and properly balanced.

Management Response

The Town and WPCA intend to take appropriate action in an attempt to remedy this deficiency in the future. Additional assistance from Grant Thornton in the development of year-end closing procedures has been scheduled for the spring.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Finding 2011-1 is resolved.

State Single
Audit Section



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE RELATED TO MAJOR PROGRAMS (CONNECTICUT STATE SINGLE AUDIT ACT) AND ON INTERNAL CONTROL

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

Compliance

We have audited the compliance of the Town of Montville, Connecticut (the “Town”) with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town’s major state programs for the year ended June 30, 2012. The Town’s major state programs are identified in the summary of auditors’ results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Town’s management. Our responsibility is to express an opinion on the Town’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town’s compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the Town's internal control over compliance. Accordingly, we express no such opinion.

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

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Town's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

This report is intended solely for the information and use of the Town Council and management of the Town, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Graut Thornton LLP

Glastonbury, Connecticut
February 28, 2013



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2012, and our report dated February 28, 2013, expressed unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on these financial statements that collectively comprise the Town's financial statements.

The accompanying Schedule of Expenditures of State Financial Assistance for the year ended June 30, 2012 is presented for purposes of additional analysis as required by the State Single Audit Act (C.G.S. sections 4-230 to 4-236), and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 US GAAS. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Glastonbury, Connecticut
February 28, 2013

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2012

| State Grantor; Pass-Through Grantor; Program Title | State Grant Program Core - CT Number | Expenditures |
|---|---|------------------|
| NONEXEMPT PROGRAMS | | |
| DEPARTMENT OF ECONOMIC DEVELOPMENT | | |
| Direct: | | |
| Urban Action Bonds | 12060-ECD46440-41240 | \$ 700,000 |
| OFFICE OF POLICY AND MANAGEMENT | | |
| Direct: | | |
| Local Capital Improvement Program | 12050-OPM20600-40254 | 95,074 |
| Payment in Lieu of Taxes on State-owned Property | 11000-OPM20600-17004 | 842,695 |
| Property Tax Relief for Elderly and Disabled Homeowners | 11000-OPM20600-17018 | 106,034 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | 7,409 |
| Property Tax Relief for the Totally Disabled | 11000-OPM20600-17011 | 2,944 |
| Municipal Video Competition Trust Account | 12060-OPM20600-35362 | 1,187 |
| Total Office of Policy and Management | | <u>1,055,343</u> |
| DEPARTMENT OF EDUCATION | | |
| Direct: | | |
| Magnet Schools | 11000-SDE64370-17057 | 67,600 |
| Adult Education | 11000-SDE64370-17030 | 32,449 |
| Afterschool Program | 11000-SDE64370-17084 | 23,750 |
| Health Food Initiative | 11000-SDE64370-16212 | 24,048 |
| Youth Services Bureau | 11000-SDE64370-17052 | 18,264 |
| Aid to Private Schools - Health Services | 11000-SDE64370-17034 | 17,747 |
| Child Nutrition Sate Match | 11000-SDE64370-16211 | 11,066 |
| Youth Services Bureau - Enhancement | 11000-SDE64370-16201 | 6,250 |
| Bilingual Education | 11000-SDE64370-17042 | 3,853 |
| School Breakfast Match | 11000-SDE64370-17046 | 17,100 |
| Total Department of Education | | <u>222,127</u> |
| CONNECTICUT STATE LIBRARY | | |
| Direct: | | |
| Preservation of Historic Documents | 12060-CSL66094-35150 | 3,500 |
| DEPARTMENT OF TRANSPORTATION | | |
| Direct: | | |
| Town Aid Road Grants - Municipal | 12001-DOT57131-17036 | 166,400 |
| Bus Operations | 12001-DOT57931-12175 | 56,344 |
| Total Department of Transportation | | <u>222,744</u> |
| DEPARTMENT OF PUBLIC SAFETY | | |
| Direct: | | |
| Nuclear Safety Fund CT Yankee | 12060-DPS32984-30464 | 2,118 |
| Nuclear Safety Fund Dominion | 12060-DPS32984-30465 | 24,357 |
| Total Department of Public Safety | | <u>26,475</u> |

The accompanying notes are an integral part of this schedule.

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE *(Continued)*
 FOR THE YEAR ENDED JUNE 30, 2012

| State Grantor; Pass-Through Grantor; Program Title | State Grant Program Core - CT Number | Expenditures |
|--|---|-----------------------------|
| NONEXEMPT PROGRAMS <i>(Continued)</i> | | |
| DEPARTMENT OF ENVIRONMENTAL PROTECTION | | |
| Direct: | | |
| Clean Water Fund | 21014-DEP43720-40001 | \$ 188,940 |
| Community Conservation and Development | 12052-DEP43570-43039 | 343,428 |
| Nitrogen Credit Exchange Program | 21016-OTT14230-42407 | 15,983 |
| Total Department of Environmental Protection | | <u>548,351</u> |
| DEPARTMENT OF SOCIAL SERVICES | | |
| Direct: | | |
| Small Town Economic Assistance Program | 12052-DSS60783-40533 | <u>37,626</u> |
| Total State Assistance Before Exempt Programs | | <u>2,816,166</u> |
| EXEMPT PROGRAMS | | |
| DEPARTMENT OF EDUCATION | | |
| Direct: | | |
| Education Cost Sharing | 11000-SDE64370-17041 | 12,570,109 |
| Commitments for School Construction - Principal | 13010-SDE64370-40901 | 139,081 |
| Commitments for School Construction - Interest | 13009-SDE64370-40896 | 8,758 |
| Special Education: Excess Costs Student Based | 11000-SDE64370-17047 | 436,157 |
| Public School Transportation | 11000-SDE64370-17027 | 224,879 |
| Nonpublic School Transportation | 11000-SDE64370-17049 | 14,437 |
| Total Department of Education | | <u>13,393,421</u> |
| OFFICE OF POLICY AND MANAGEMENT | | |
| Direct: | | |
| Municipal Revenue Sharing | 12060-OPM20600-35458 | 646,613 |
| Mashantucket Pequot Grant | 12009-OPM20600-17005 | 1,838,096 |
| Total Office of Policy and Management | | <u>2,484,709</u> |
| Total Exempt Programs | | <u>15,878,130</u> |
| TOTAL STATE FINANCIAL ASSISTANCE | | <u><u>\$ 18,694,296</u></u> |

The accompanying notes are an integral part of this schedule.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2012

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Montville, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements. Information included in the schedule of expenditures of state financial assistance is presented in accordance with regulations established by the State of Connecticut, Office of Policy and Management.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

The schedule of expenditures of state financial assistance contained in this report is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. These financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

| | | | |
|---|-------------|-------------------|------|
| Type of auditors' report issued: | Unqualified | | |
| Internal control over financial reporting: | | | |
| ○ Material weakness(es) identified? | _____ Yes | <u>✓</u> No | None |
| ○ Significant deficiency(ies) identified? | _____ Yes | <u>✓</u> Reported | |
| Noncompliance material to financial statements noted? | _____ Yes | <u>✓</u> No | |

STATE FINANCIAL ASSISTANCE

| | | | |
|---|-------------|-------------------|------|
| Internal control over major programs: | | | |
| ○ Material weakness(es) identified? | _____ Yes | <u>✓</u> No | None |
| ○ Significant deficiency(ies) identified? | _____ Yes | <u>✓</u> Reported | |
| Type of auditors' report issued on compliance for major programs: | Unqualified | | |
| Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | _____ Yes | <u>✓</u> No | |

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

| State Grantor/ Program | State Grant Program Core-CT Number | Expenditures |
|---|--|--------------|
| Department of Economic Development | | |
| Urban Action Bonds | 13019-ECD46440-41240 | \$ 700,000 |
| Office of Policy and Management | | |
| Payment in Lieu of Taxes on State-owned Property | 11000-OPM20600-17004 | 842,695 |
| Property Tax Relief for Elderly and Totally Disabled Homeowners | 11000-OPM20600-17018 | 106,034 |

Dollar threshold used to distinguish between Type A and Type B programs: \$200,000

II. FINANCIAL STATEMENT FINDINGS

- We issued a report dated February 28, 2013 on internal control over financial reporting and on compliance with other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- The report indicated no reportable instances of noncompliance or other matters
- The report indicated a matter that is considered to be a material weakness in internal control over financial reporting (2012-1).

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2012

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

No findings were reported in the prior year.