

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

of the

**TOWN OF MONTVILLE,
CONNECTICUT**

FOR THE YEAR ENDED

JUNE 30, 2006

**PREPARED BY:
THE FINANCE DEPARTMENT**

**Katherine Maxwell
Director of Finance**

TOWN OF MONTVILLE, CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006
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Introductory Section

DEPARTMENT OF FINANCE
Town of Montville

310 Norwich-New London Turnpike
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November 28, 2006

To: Mayor Joseph Jaskiewicz
Montville Town Council
Citizens of Montville, CT

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Montville, Connecticut, for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the Town of Montville. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Montville has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Montville's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the Town of Montville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Montville's financial statements have been audited by Kostin, Ruffkess & Company, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Montville for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion that the Town of Montville's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Montville's MD&A can be found immediately following the report of the independent auditors.

Town Profile

The Town of Montville, located in southeastern Connecticut, was incorporated in 1786 from the Town of New London, Connecticut, and covers approximately 42 square miles. The Town serves a population of 19,846 and is empowered to levy a property tax on both real and personal properties located within its boundaries.

The Town is governed under a Town Charter with the Town Council/Mayor form of government. The Mayor acts as the Chief Executive Officer and the Town Council acts as the Legislative Body. Council members are elected biennially. The Mayor is elected for a four-year term. The Charter stipulates that the Director of Finance supervises the Town's financial affairs, including assessment and the collection of taxes. The Town Meeting may overrule any action of the Town Council and may originate and enact an ordinance. A nonbudgeted appropriation may not exceed two percent of the current tax levy cumulatively for one fiscal year and can be passed by resolution of the Town Council provided that the Director of Finance certifies that there are available unappropriated general fund resources in excess of the proposed appropriation. The Town Meeting must approve any nonbudgeted appropriations in excess of two percent of the current tax levy and all bonded indebtedness. A referendum is required for appropriations in excess of 5% of the current tax levy.

The Town of Montville provides a full range of services, including police and fire protection; water transmission; the construction and maintenance of highways, streets and other infrastructures; education and recreational activities and cultural events. Sanitation services are provided through a legally separate Sewer Authority, which functions, in essence, as a department of the Town of Montville and, therefore, has been included as an integral part of the Town of Montville's financial statements.

The annual budget serves as the foundation for the Town of Montville's financial planning and control. All departments of the Town of Montville are required to submit requests for appropriation to the Finance Director at least one hundred days before the end of the fiscal year. The Mayor utilizes this information in the preparation of his proposed budget that must be submitted to the Town Council not later than 75 days prior to the end of the fiscal year. The Town Council is required to hold one or more public hearings at least sixty days prior to the end of the fiscal year and to adopt a final budget on or before thirty days prior to the end of the current fiscal year. A five-year capital improvement plan is similarly prepared and adopted by the Town Council in conjunction with the budget process. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. fire marshal). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Town Council. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Montville operates.

Local economy. Primarily a suburban residential community, Montville is centrally located between Norwich and New London in eastern Connecticut. The Town of Montville is thirty-five miles from Connecticut's state capital, Hartford, and forty-five miles from Providence, RI. The Town has experienced significant growth with the location of the Mohegan Sun Casino and Resort within its borders.

Housing construction has slowed with only 60 new residential permits issued during fiscal year 2006, down from 102 in 2005. This decrease reflects a regional trend in the housing market. During the fiscal year building permits were issued for a total residential construction value of \$11 million dollars. Commercial construction values increased in 2006 to almost \$22.5 million. This reflects the onset of construction of a large 50-acre commercial development site.

There are twelve manufacturing firms located in Montville. The firms range in size from a small start-up tool and dye maker, which has recently expanded within one of the new industrial parks, to Smurfit Stone, one of the world's largest manufacturers of cardboard and paperboard. Montville is also home to the Faria Corporation, a manufacturer and worldwide exporter of tachometers, gauges and instrument panels.

There are two power generation plants located in Town: AES Thames is a 181 MW cogeneration facility and NU is an 82 MW generation facility.

Finance, Insurance, Real Estate (FIRE) and services comprise 42% of the Town's economic base. Montville is diversified across the economic spectrum with a healthy mix of FIRE, services, heavy and light industry and retail. Currently, approximately 300,000 square feet of gross floor area of retail development is under construction.

An additional 300 acres of strategic land have been purchased by a prime developer. This area is expected to be developed into a premiere waterfront mixed use development.

The Mohegan Sun Casino and Resort is located within the Town of Montville, and with the close proximity to the Foxwoods Resort, the Town hopes to profit from development as the area continues to develop into a recreational destination spot.

During the past ten years, government expenses have increased 69%. One of the major factors driving this increase is the escalating cost of employee health care. Medical premiums have increased more than 175% since 1997. Educational costs for the ten-year period have increased 52%. In addition to the rising cost of health care and normal inflationary factors, economic issues facing the school system include increased enrollment, additional unfunded federal and state mandates, and program enhancements.

Long-term financial planning. Unreserved, undesignated fund balance in the general fund stands at \$6,049,413 or 11.6% of total general fund revenues. A fund balance policy recently adopted by the Town Council calls for the undesignated fund balance to be maintained between the level of 8.5 and 17% of the Town budget. The undesignated fund balance as noted above represents 11.8% of the Town's budget for fiscal year 2007. The Town continues to work on a compilation of a policy and procedure manual. Policies currently under review include purchasing procedures and tax foreclosure guidelines.

The Town of Montville, working with area towns and the Mohegan Tribal Authority, authorized a regional water supply program. Funding for the Town of Montville's proportional cost was authorized in the spring of 2004. The project is nearing completion. The Town expects the system to be fully operational as of 7/1/07. The Town is currently revising the water rate schedule in anticipation of the completion of the regional supply system. Upon completion, the regional system will supply the Town's anticipated water needs for the next twenty years.

The Town's school renovation project authorized in 2003 continues. The renovation of the Mohegan Elementary School is complete. Both the Montville High School and Oakdale Elementary School renovations are now under construction. The High School renovations are scheduled for completion in November of 2008. The Oakdale school renovations will be complete in August of 2007.

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit and the State Treasurer's investment pool. The Town is limited to existing Connecticut General Statutes as to the investment instruments that it can purchase. Therefore, the Town's investment policy is to minimize credit and market risks while maintaining a competitive yield within the State's guidelines. The Town did not utilize fund balance for tax relief with the 2006 budget.

The Town has a comprehensive program for managing all areas of risk, which includes health and life insurance for employees, workers' compensation, heart and hypertension, property and casualty, general liability, professional liability, and others including theft, performance and surety. The Town's internal service fund accounts for funds received from the Board of Education and Town government operation funds for medical insurance for Town employees. During fiscal year 2006, premium adjustments enabled the Town to fully eliminate the fund's deficit fund balance of \$981,112. As of June 30, 2006, the internal service fund had unrestricted net assets of \$155,733. The Town plans to continue its program and is working to maintain net assets sufficient to handle two months of medical costs or approximately \$950,000.

Relevant financial policies. The Town administration continues to work on a compilation of a Manual of policies and procedures for the Town. The Town recently adopted a formal fund balance policy. Other drafts under review include purchasing procedures, foreclosure guidelines, financial operations and fundraising guidelines.

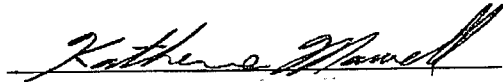
Major initiatives. The Connecticut Department of Environmental Protection has issued a General Permit for the control of FATS, OILS, and GREASE in food preparation facilities to prevent the discharge of fats, oils, and grease into the sanitary sewer systems. The general permit requires new facilities to install one of two methods designed to significantly control FOG at the source. Food preparation facilities have until July 1, 2011, to comply with conditions of the permit. The Montville WPCA has worked with the State DEP and Town facilities to comply with the conditions of the Permit and promote a cleaner environment.

The Connecticut DEP is implementing EPA Stormwater Phase II Program via the General Permit for the Discharge of stormwater from Small Municipal Separate Storm Sewer Systems (MS4s) and applies to Towns with urbanized areas. The program requires six Minimum Control Measures (MCMs). Montville has submitted the Part A registration and the Part B registration (Stormwater Management Plan) of the General Permit. Montville must submit annual reports to demonstrate the implementation of the MCMs. Six stormwater samples must be collected from stormwater outfalls, and all MS4 outfalls must be mapped town wide by the end of 2006.

Acknowledgements

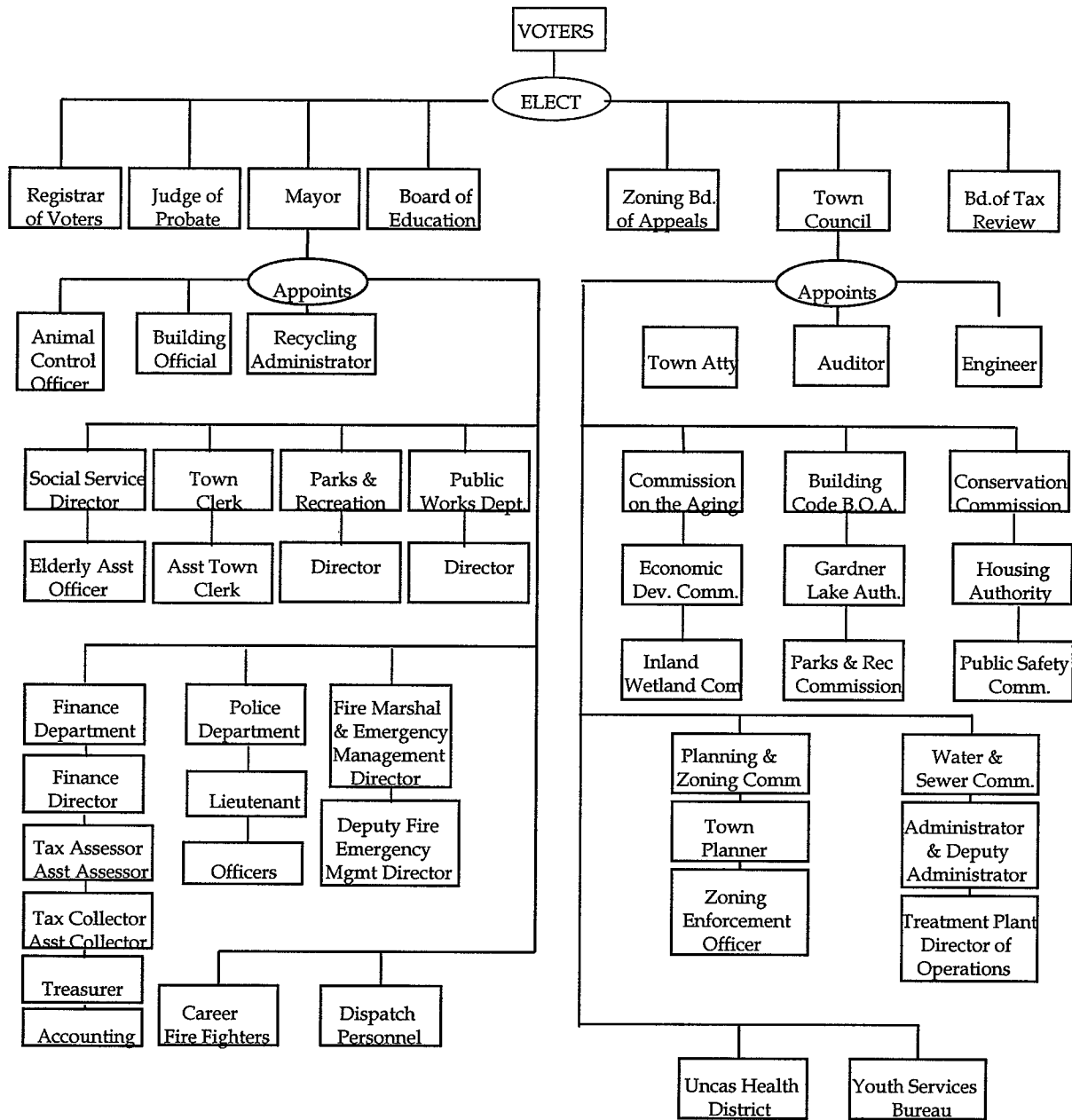
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Department of Finance and the cooperation of all departments in the Town. Credit also must be given to the mayor and the governing council for their support for maintaining the high standards of professionalism in the management of the Town of Montville finances. I extend my appreciation to all.

Respectfully submitted,

A handwritten signature in cursive script, reading "Katherine Maxwell", written over a horizontal line.

Katherine Maxwell
Director of Finance

TOWN OF MONTVILLE ORGANIZATIONAL CHART



TOWN OF MONTVILLE, CONNECTICUT

LIST OF PRINCIPAL MUNICIPAL OFFICIALS

JUNE 30, 2006

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Current Term</u>
Mayor	Joseph W. Jaskiewicz	Elected	2004-2007
Chairman, Town Council	John F. Geary	Elected	2005-2007
Council Member	Howard R. Beetham	Elected	2003-2007
Council Member	Kathleen H. Pollard	Elected	2005-2007
Council Member	William P. Caron	Elected	2005-2007
Council Member	Catherine A. Buebendorf	Elected	2005-2007
Council Member	Edward W. Radgowski	Elected	2005-2007
Council Member	Ellen L. Hillman	Elected	2005-2007
Finance Director	Katherine L. Maxwell	Appointed	Indefinite
Treasurer	Pamela L. Bonanno	Appointed	Indefinite
Tax Collector	Joan P. Zujus	Appointed	Indefinite
Assessor	Lucy T. Beit	Appointed	Indefinite
Town Clerk	Lisa J. Terry	Appointed	Indefinite
Registrar	Mary E. Clark-Wilson	Elected	2005-2007
Registrar	Lorraine A. Elliott	Elected	2005-2007
Superintendent of Schools	David B. Erwin	Appointed	Indefinite
Chief of Police	Joseph W. Jaskiewicz	Elected	2004-2007
Fire Chief - Montville	Ronald Turner	Elected	2 years
Fire Chief - Mohegan	Stephen Socha	Elected	2 years
Fire Chief - Oakdale	Gary Murphy	Elected	2 years
Fire Chief - Chesterfield	Stephen Stewart	Elected	2 years
Chairman, Board of Education	Sandra Berardy	Elected	2005-2009
Chairman, Finance Committee	Catherine A. Buebendorf	Elected	2005-2007
Town Attorney	Matthew Auger	Appointed	Indefinite

Financial Section



Business Advisors and Certified Public Accountants

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Springfield, MA

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351 North Frontage Road
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic 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, 2006, 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 November 28, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on pages 10 through 19 is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Town of Montville, Connecticut
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Montville, Connecticut's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and trend information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kostin, Ruffkess & Company, LLC

New London, Connecticut
November 28, 2006

DEPARTMENT OF FINANCE
Town of Montville

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Uncasville, Connecticut 06382-2599

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MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The management of the Town of Montville, Connecticut, offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The net assets of the Town exceeded its liabilities at the close of the fiscal year by \$95,617,499 (*net assets*). Of this amount, \$13,579,454 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$8,495,459. The increase was due substantially to capital asset purchases in excess of depreciation expense. The major purchase consisted of construction in progress relative to the ongoing school renovation project. Additional increases were realized in both capital and operating grants for education.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,894,993, an increase of \$607,998 in comparison with the prior year. Of this total amount, \$10,607,343 is *available for spending* at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,294,413 or 12.6% of total general fund expenditures and transfers out of \$49,881,889.
- The Town's total bond/note debt decreased by \$2,198,805 (7.52%) during the current fiscal year due in total to principal payments during the year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

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.

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 only result in cash flows in a future fiscal period (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (government 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 general government, public safety, public works, health, social services, recreation and education. The business-type activities of the Town include a waste-operating facility and a water transmission system.

The government-wide financial statements can be found on Exhibits A and B 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, like other state and local governments, 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 a 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 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and bonded projects fund, both of which are considered to be major funds. Data from the other 14 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 the report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget.

Proprietary Funds. The Town maintains two different types of 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 Department and Water Department. Internal service funds are an accounting device used to accumulate and allocate certain costs internally among the Town's various functions. The Town uses an internal service fund to account for its medical benefits for its employees. Because this service predominantly benefits governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Department and the Water Department. The Sewer Department is considered a major fund of the Town. The Water Department is considered a nonmajor fund of the Town. Data for the internal service fund is also provided as a separate column in the proprietary fund financial statements.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements and supplemental schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on Schedules 7 and 8.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. The Town's assets exceeded liabilities by \$95,617,499 at the close of the fiscal year.

By far the largest portion of the Town's net assets (83.6%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), 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.

Table 1, which can be found at the end of this Management Discussion and Analysis, presents a comparative summary statement of net assets.

A portion of the Town's net assets that are restricted (\$2.09 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$13.58 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net assets increased by \$8,495,459 during the fiscal year, with net assets of governmental activities increasing by \$8,782,976 and net assets of business-type activities decreasing by \$287,517.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Governmental activities. Already noted was the statement of activities purpose in presenting information on how the Town's net assets changed during the most recent fiscal year. Governmental activities increased the Town's net assets by \$8,782,976 during the current fiscal year. The increase in assets in governmental activities is related in great part to construction of assets, rather than accumulation of cash or other liquid assets and can be specifically related to the current school renovation projects. The reader should remember that the basis of accounting used in the government-wide statement of activities excludes capital expenditures, while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service.

51.0% of the revenues were derived from property taxes, followed by 40.6% from program revenues, then 5.9% from other unrestricted grants and finally, about 2.5% of the Town's revenue in this fiscal year was derived from investment earnings.

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2006 reflect an increase in the Town's tax rate of approximately 2.7%.
- Operation grants increased due to mostly to increased state grants for education.
- Capital grants and contributions increased due to the school construction progress payments received from the State.
- Investment earnings increased because of an increase in funds available for investment through the issuance of debt for school renovation projects and the elimination of the fund deficit in the Town's medical internal service fund.

For governmental activities, approximately 68.2% of the Town's expenses relate to education, almost 7.8% relate to general government, over 11.3% relate to public works operations, 8.5% relate to public safety and the remaining 4.2% relate to interest expense, health and welfare, social services, recreation and miscellaneous.

Major expense factors include:

- Employee benefit costs for both medical insurance and workers' compensation increased approximately 22% in fiscal year 2006.
- Oil prices increased significantly affecting the fuel and heating budgets for all departments. In addition, a large utility rate increase on electricity was approved and applied during last year, again, affecting all departments.
- Pension costs increased approximately 32% for general government employees and 41% for police personnel.
- A general wage increase of approximately 3.5%, for general government, public safety and public works expenses increased expenditures in 2006. Additional increases in public works expenses were predominately due to an increase in infrastructure repair.
- Education increased due to general wage increases of approximately 4.5% in addition to the town wide fuel, electric and fringe benefit costs noted previously.
- Debt service payments began on the first bond issue for the schools' renovations.

Business-Type Activities

Business-type activities decreased the Town's net assets by \$287,517. This decrease was mitigated by capital contributions to the water fund. The key element of this decrease was on-going legal costs related to litigation involving the lawsuit with Rand Whitney, a paperboard manufacturing company.

Table 2, which can be found at the end of this Management Discussion and Analysis, presents a comparative look at the change in net assets.

Financial Analysis of the Fund Financial Statements

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, unreserved fund balance may serve as a useful measure of a government'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 combined ending fund balances of \$13,894,993. Approximately 76.3% of this total amount (\$10,607,343) constitutes unreserved fund balance that is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,294,413, while total fund balance reached \$9,268,603. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.0% of total general fund expenditures, while total fund balance represents 19.3% of that same amount.

The fund balance for the Town's general fund increased by \$2,263,862 during the current fiscal year. Key factors in this increase are as follows:

- Receipt of additional intergovernmental revenues due to state budget approval after finalization of the Town budget.
- Investment income generated revenues higher than anticipated
- Tuition, special duty and disposal fees generated more revenue for service charges than projected.
- General savings throughout all budget categories.

The Bonded Projects Fund has a total fund balance of \$3,206,580 at June 30, 2006. The net decrease in fund balance during the current year in the Bonded Projects Fund was \$1,594,016. The decrease was due to the additional school construction costs funded in the prior year.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Department at the end of the year were \$47.1 million, a decrease of \$778,822 over the prior year. Unrestricted net assets for the Sewer Department reflected a deficit of \$819,478. The losses reflect the ongoing legal costs for various litigation matters for the department and depreciation costs not fully funded.

Total net assets for the Water Department at the end of the fiscal year were \$5.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$163,570. The largest additional appropriation was for \$105,000, which funded the additional demand for private duty services.

During the year, actual revenues were \$50,645,751, which exceeded budgetary estimates by \$1,927,096. Major contributors were:

- A significant increase in the demand for services for police private duty, tuition and disposal fees generated higher revenues than originally projected.
- Investment income higher than anticipated due to the availability of bond proceeds for investment purposes and the elimination of the fund deficit in the Town's internal service fund.
- Intergovernmental revenues were received at a higher than anticipated level.

Actual expenditures and transfers out on a budgetary basis totaled \$48,456,884. Actual revenues and other financing sources exceeded expenditures and other financing uses by \$2,188,867. The adopted budget for 2006 did not include a planned use of fund balance.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$107.7 million (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads (accepted by the Town since July 1, 2002), sewers and bridges. The total net increase in the Town's investment in capital assets for the current fiscal year was \$7.2 million (excluding depreciation), an increase of 5.0% (a 10.5% percent increase for governmental activities).

Major capital asset events during the current fiscal year included the following:

- Construction in progress additions for the renovations of six schools.
- Purchase of twelve vehicles including a three police cruisers and three new buses.
- Land acquisition from tax foreclosures.
- Improvements to the sewer and water systems.

Table 3, which can be found at the end of this Management Discussion and Analysis, presents a comparative look at capital assets.

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

Long-term Debt. At the end of the current fiscal year, the Town has total bonded debt outstanding of \$26,993,955. 100% of this debt is backed by the full faith and credit of the Town government.

TOWN OF MONTVILLE OUTSTANDING DEBT
General Obligation Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General Obligation Bonds	<u>\$23,338,955</u>	<u>\$25,202,760</u>	<u>\$ 3,655,000</u>	<u>\$ 4,040,000</u>	<u>\$26,993,955</u>	<u>\$29,242,760</u>

Capital Assets and Debt Administration (Continued)

The Town's total bonded debt decreased by \$2.25 million during the 2005/2006 fiscal year due to scheduled principle payments.

The Town of Montville continues to maintain an Aa3 rating from Moody's Investors Service.

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$211,449,042. As of June 30, 2006, the Town has a net debt of \$18.9 million, well below its statutory debt limits.

Additional information on the Town's long-term debt can be found in Note III.E.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2007 budget tax rates. One of the factors is the economy. Unemployment in the Town now stands at 4.2% versus 3.4% a year ago. This compares with the state's average unemployment rate of 4.9% and is .2 % lower than the New London County average rate of 4.4%.

The Town of Montville's 2006/2007 budget totals \$51,290,586, which represents a 5.3% increase in expenditures from the fiscal year 2006 adopted budget. The Town's mill rate increased to 29.86 mills, a 2.7% increase in the tax rate.

Fringe benefit costs for medical, pension and workers' compensation are projected to increase between 8% and 20% in fiscal year 2007.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 310 Norwich-New London Turnpike. Uncasville, CT 06382.

TABLE 1

**Town of Montville, Connecticut
Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets.....	\$ 25,336,399	\$ 23,508,771	\$ 270,343	\$ (140,397)	\$ 25,606,742	\$ 23,368,374
Capital assets (net).....	50,958,515	36,886,016	56,695,139	46,464,306	107,653,654	83,350,322
Total assets.....	76,294,914	60,394,787	56,965,482	46,323,909	133,260,396	106,718,696
Current liabilities.....	4,937,853	4,006,672	569,200	297,388	5,507,053	4,304,060
Noncurrent liabilities.....	28,480,844	30,687,332	3,655,000	4,040,000	32,135,844	34,727,332
Total liabilities.....	33,418,697	34,694,004	4,224,200	4,337,388	37,642,897	39,031,392
Net assets:						
Invested in capital assets, net of related debt.....	26,910,256	10,845,840	53,040,139	42,424,306	79,950,395	53,270,146
Restricted.....	2,087,650	5,387,650			2,087,650	5,387,650
Unrestricted.....	13,878,311	9,467,293	(298,857)	(437,785)	13,579,454	9,029,508
TOTAL NET ASSETS.....	\$ 42,876,217	\$ 25,700,783	\$ 52,741,282	\$ 41,986,521	\$ 95,617,499	\$ 67,687,304

TABLE 2

**Town of Montville, Connecticut
Change in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
REVENUES:						
Program revenues:						
Charges for services.....	\$ 3,694,459	\$ 3,205,132	\$ 4,464,857	\$ 4,467,087	\$ 8,159,316	\$ 7,672,219
Operating grants and contributions.....	15,273,934	13,782,107			15,273,934	13,782,107
Capital grants and contributions.....	5,000,889	2,363,050	480,084		5,480,973	2,363,050
General revenues:						
Property taxes.....	30,123,573	28,276,739			30,123,573	28,276,739
Grants and contributions not restricted to specific programs.....	3,473,395	2,802,448			3,473,395	2,802,448
Investment income.....	1,538,779	994,245	13,165	8,259	1,551,944	1,002,504
TOTAL REVENUES.....	59,105,029	51,423,721	4,958,106	4,475,346	64,063,135	55,899,067
EXPENSES:						
General government.....	3,931,911	3,724,022			3,931,911	3,724,022
Public safety.....	4,287,478	3,751,428			4,287,478	3,751,428
Public works.....	5,672,769	4,821,315			5,672,769	4,821,315
Health and welfare.....	295,725	264,921			295,725	264,921
Social services.....	76,864	44,650			76,864	44,650
Parks and recreation.....	441,864	559,378			441,864	559,378
Miscellaneous.....	71,222	65,299			71,222	65,299
Education.....	34,311,294	32,208,273			34,311,294	32,208,273
Interest expense.....	1,232,926	1,389,632			1,232,926	1,389,632
Sewer department.....			5,026,168	5,356,111	5,026,168	5,356,111
Water department.....			219,455	137,784	219,455	137,784
TOTAL EXPENSES.....	50,322,053	46,828,918	5,245,623	5,493,895	55,567,676	52,322,813
INCREASE (DECREASE) IN NET ASSETS..	8,782,976	4,594,803	(287,517)	(1,018,549)	8,495,459	3,576,254
NET ASSETS - JULY 1.....	34,093,241	21,105,980	53,028,799	43,005,070	87,122,040	64,111,050
NET ASSETS - JUNE 30.....	\$ 42,876,217	\$ 25,700,783	\$ 52,741,282	\$ 41,986,521	\$ 95,617,499	\$ 67,687,304

TABLE 3

**Town of Montville, Connecticut
Capital Assets - Net**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005 (As Restated)	2006	2005 (As Restated)	2006	2005 (As Restated)
Land.....	\$ 1,022,518	\$ 960,468	\$ 1,098,331	\$ 1,098,331	\$ 2,120,849	\$ 2,058,799
Construction in progress.....	12,645,752	6,344,088			12,645,752	6,344,088
Land improvements.....	397,140	409,704			397,140	409,704
Building and improvements.....	22,280,813	22,667,519	14,781,944	15,141,830	37,062,757	37,809,349
Distribution and collection system.....			32,274,203	32,385,556	32,274,203	32,385,556
Machinery and equipment.....	4,563,481	4,641,328	8,540,661	8,880,867	13,104,142	13,522,195
Infrastructure.....	10,048,811	10,255,867			10,048,811	10,255,867
TOTAL.....	\$ 50,958,515	\$ 45,278,974	\$ 56,695,139	\$ 57,506,584	\$ 107,653,654	\$ 102,785,558

*Basic
Financial
Statements*

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash.....	\$ 1,688,439	\$ 420,554	\$ 2,108,993
Investments.....	12,265,040		12,265,040
Receivables:			
Property taxes.....	543,583		543,583
Assessments/use charges.....	254,903	900,434	1,155,337
Intergovernmental.....	3,778,377		3,778,377
Other.....	231,084	266,134	497,218
Internal balances.....	116,779	(116,779)	-
Other.....	24,799		24,799
Total current assets.....	18,903,004	1,470,343	20,373,347
Noncurrent assets:			
Receivables (net):			
Property taxes.....	1,245,510		1,245,510
Assessments.....	1,338,245		1,338,245
Intergovernmental.....	2,649,640		2,649,640
Total Receivables (net).....	5,233,395	-	5,233,395
Advances to (from) other funds.....	1,200,000	(1,200,000)	-
Capital assets (net of accumulated depreciation):			
Land.....	1,022,518	1,098,331	2,120,849
Construction in progress.....	12,645,752		12,645,752
Land improvements.....	397,140		397,140
Buildings and improvements.....	22,280,813	14,781,944	37,062,757
Distribution and collection system.....		32,274,203	32,274,203
Machinery and equipment.....	4,563,481	8,540,661	13,104,142
Infrastructure.....	10,048,811		10,048,811
Total net capital assets (net of accumulated depreciation).....	50,958,515	56,695,139	107,653,654
Total noncurrent assets.....	57,391,910	55,495,139	112,887,049
TOTAL ASSETS.....	76,294,914	56,965,482	133,260,396

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>LIABILITIES</u>			
LIABILITIES:			
Current liabilities:			
Accounts payable.....	\$ 4,491,832	\$ 325,553	\$ 4,817,385
Accrued liabilities.....	106,183	183,236	289,419
Accrued interest payable.....	286,495	60,411	346,906
Unearned revenue.....	53,343		53,343
Total current liabilities.....	4,937,853	569,200	5,507,053
Noncurrent liabilities:			
Due within one year.....	3,197,180	380,000	3,577,180
Due in more than one year.....	25,283,664	3,275,000	28,558,664
Total noncurrent liabilities.....	28,480,844	3,655,000	32,135,844
TOTAL LIABILITIES.....	33,418,697	4,224,200	37,642,897
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt.....	26,910,256	53,040,139	79,950,395
Restricted for:			
Other.....	1,774,190		1,774,190
Capital projects.....	313,460		313,460
Unrestricted.....	13,878,311	(298,857)	13,579,454
TOTAL NET ASSETS.....	\$ 42,876,217	\$ 52,741,282	\$ 95,617,499

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
General government.....	\$ 3,931,911	\$ 1,420,573	\$ -	\$ -	\$ (2,511,338)	\$ -	\$ (2,511,338)
Public safety.....	4,287,478	400,064	650	-	(3,886,764)	-	(3,886,764)
Public works.....	5,672,769	468,851	878,007	259,508	(4,066,403)	-	(4,066,403)
Health and welfare.....	295,725	97,459	-	-	(198,266)	-	(198,266)
Social services.....	76,864	37,923	-	-	(38,941)	-	(38,941)
Recreation.....	441,864	66,465	-	-	(375,399)	-	(375,399)
Miscellaneous.....	71,222	41,908	-	-	(29,314)	-	(29,314)
Education.....	34,311,294	1,161,216	14,395,277	4,741,381	(14,013,420)	-	(14,013,420)
Interest expense.....	1,232,926	-	-	-	(1,232,926)	-	(1,232,926)
TOTAL GOVERNMENTAL ACTIVITIES.....	50,322,053	3,694,459	15,273,934	5,000,889	(26,352,771)	-	(26,352,771)
BUSINESS-TYPE ACTIVITIES:							
Sewer Department.....	5,026,168	4,245,876	-	-	(780,292)	-	(780,292)
Water Department.....	219,455	218,981	480,084	480,084	479,610	-	479,610
TOTAL BUSINESS-TYPE ACTIVITIES.....	5,245,623	4,464,857	-	480,084	(300,682)	-	(300,682)
TOTAL.....	\$ 55,567,676	\$ 8,159,316	\$ 15,273,934	\$ 5,480,973	\$ (26,352,771)	\$ (300,682)	\$ (26,653,453)
GENERAL REVENUES:							
Property taxes.....					\$ 30,123,573	\$ -	\$ 30,123,573
Grants and contributions not restricted to specific programs.....					3,473,395	-	3,473,395
Income from investments.....					1,538,779	13,165	1,551,944
TOTAL GENERAL REVENUES.....					35,135,747	13,165	35,148,912
CHANGE IN NET ASSETS.....					8,782,976	(287,517)	8,495,459
NET ASSETS - JULY 1, 2005 (AS RESTATED).....					34,093,241	53,028,799	87,122,040
NET ASSETS - JUNE 30, 2006.....					\$ 42,876,217	\$ 52,741,282	\$ 95,617,499

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

TOWN OF MONTVILLE, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	GENERAL	BONDED PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash.....	\$ 1,298,797	\$	\$ 389,642	\$ 1,688,439
Investments.....	11,754,933		315,503	12,070,436
Receivables:				
Property taxes.....	1,385,350			1,385,350
Assessments/use charges.....	1,496,253			1,496,253
Intergovernmental.....		2,893,120	170,777	3,063,897
Other.....	204,189		6,899	211,088
Due from other funds.....	126,369	2,082,468	881,503	3,090,340
Advances to other funds.....	1,200,000			1,200,000
Other.....	3,939		20,860	24,799
TOTAL ASSETS.....	\$ 17,469,830	\$ 4,975,588	\$ 1,785,184	\$ 24,230,602
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable.....	\$ 1,889,961	\$ 1,769,008	\$ 343,626	\$ 4,002,595
Accrued payroll.....	106,183			106,183
Due to other funds.....	3,394,341		9,590	3,403,931
Unearned revenue.....	2,810,742		12,158	2,822,900
Total Liabilities.....	8,201,227	1,769,008	365,374	10,335,609
Fund Balances:				
Reserved for:				
Encumbrances.....	1,774,190			1,774,190
Commitments.....		313,460		313,460
Advance to sewer department.....	1,200,000			1,200,000
Unreserved, reported in:				
Designated for subsequent year budget.....	245,000			245,000
General fund.....	6,049,413			6,049,413
Special revenue funds.....			575,053	575,053
Capital projects funds.....		2,893,120	844,757	3,737,877
Total Fund Balances.....	9,268,603	3,206,580	1,419,810	13,894,993
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 17,469,830	\$ 4,975,588	\$ 1,785,184	\$ 24,230,602

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1).....	\$ 13,894,993
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CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning net capital assets and current additions.....	52,209,451
Depreciation expense.....	(1,179,494)
Disposal of capital assets.....	(71,442)

OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:

Property tax, sewer use and sewer assessment interest and lien accrual.....	939,813
Property tax, sewer use and sewer assessment receivable - accrual basis change.....	2,769,557
School building grant receivable.....	3,364,120
Allowance for doubtful accounts.....	(439,175)

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COST OF MEDICAL INSURANCE PREMIUMS TO INDIVIDUAL DEPARTMENTS:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.....	155,733
--	---------

SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning long-term liabilities and current year additions.....	(30,987,972)
Long-term liability payments.....	2,507,128
Accrued interest payable.....	(286,495)

NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	<u>\$ 42,876,217</u>
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(Concluded)

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	BONDED PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property taxes.....	\$ 30,289,355	\$	\$	\$ 30,289,355
Intergovernmental.....	17,219,091	4,741,381	2,263,731	24,224,203
Charges for services.....	3,124,015	13,550	766,886	3,904,451
Contributions.....			115,650	115,650
Income from investments.....	1,513,290		19,518	1,532,808
TOTAL REVENUES.....	52,145,751	4,754,931	3,165,785	60,066,467
EXPENDITURES:				
Current:				
General government.....	5,976,217		327,388	6,303,605
Public safety.....	2,886,739		25,968	2,912,707
Public works.....	3,382,365		1,054,275	4,436,640
Health.....	150,111			150,111
Social services.....	51,675			51,675
Recreation.....	241,723			241,723
Miscellaneous.....	71,222			71,222
Education.....	33,121,933		2,079,562	35,201,495
Capital outlay.....	361,117	6,348,947		6,710,064
Debt service.....	3,379,227			3,379,227
TOTAL EXPENDITURES.....	49,622,329	6,348,947	3,487,193	59,458,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,523,422	(1,594,016)	(321,408)	607,998
OTHER FINANCING SOURCES (USES):				
Transfers in.....			259,560	259,560
Transfers out.....	(259,560)			(259,560)
NET OTHER FINANCING SOURCES (USES).....	(259,560)	-	259,560	-
NET CHANGE IN FUND BALANCES.....	2,263,862	(1,594,016)	(61,848)	607,998
FUND BALANCES - JULY 1, 2005.....	7,004,741	4,800,596	1,481,658	13,286,995
FUND BALANCES - JUNE 30, 2006.....	\$ 9,268,603	\$ 3,206,580	\$ 1,419,810	\$ 13,894,993

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

TOWN OF MONTVILLE, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(EXHIBIT B) ARE DUE TO:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... \$ 607,998

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

Capital outlay.....	6,930,977
Depreciation expense.....	<u>(1,179,494)</u>
Total	<u>5,751,483</u>

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. In the Statement of Activities, only the *loss* on the sale of capital assets is reported.

However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold..... (71,442)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the funds are not reported in the Statement of Activities:

School building grant receipts.....	(748,448)
Increase in property tax, sewer use and sewer assessment receivable - accrual basis change.....	(251,636)
Increase in property tax, sewer use and sewer assessment interest and lien revenue.....	(21,379)
Increase in property tax and sewer use allowance for doubtful accounts.....	<u>(31,317)</u>
Total	<u>(1,052,780)</u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Principal repayments:	
General obligation bonds.....	1,813,805
Capital lease.....	<u>128,112</u>
Total	<u>1,941,917</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest payable.....	\$ 204,384
Compensated absences.....	259,629
Early retirement incentive.....	(30,058)
Landfill closure.....	<u>35,000</u>
 Total	 <u>468,955</u>
 Internal Service Funds are used by management to charge costs of medical insurance premiums deductibles to individual departments.....	 <u>1,130,874</u>
 The net revenue of the activities of the Internal Service Fund is reported with governmental activities.....	 <u>5,971</u>
 CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	 <u>\$ 8,782,976</u>

(Concluded)

TOWN OF MONTVILLE, CONNECTICUTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes, interest and lien fees.....	\$ 30,199,440	\$ 30,199,440	\$ 30,289,355	\$ 89,915
Intergovernmental.....	15,119,715	15,119,715	15,719,091	599,376
Charges for services.....	2,534,500	2,534,500	3,124,015	589,515
Use of Town money	865,000	865,000	1,513,290	648,290
TOTAL REVENUES.....	48,718,655	48,718,655	50,645,751	1,927,096
EXPENDITURES:				
Current:				
General government.....	5,998,650	6,091,725	5,890,184	201,541
Public safety.....	2,914,715	3,010,710	2,870,387	140,323
Public works.....	3,316,492	3,446,592	3,383,014	63,578
Health.....	147,058	150,708	150,111	597
Social services.....	30,170	52,170	50,822	1,348
Recreation.....	246,099	248,599	239,375	9,224
Miscellaneous.....	72,767	72,767	71,222	1,545
Education.....	31,794,709	31,794,709	31,789,167	5,542
Capital outlay.....	570,000	581,750	373,815	207,935
Debt service.....	3,597,995	3,379,995	3,379,227	768
TOTAL EXPENDITURES.....	48,688,655	48,829,725	48,197,324	632,401
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,000	(111,070)	2,448,427	2,559,497
OTHER FINANCING SOURCES (USES):				
Appropriation of fund balance.....		163,570		(163,570)
Transfers out.....	(30,000)	(52,500)	(259,560)	(207,060)
NET OTHER FINANCING SOURCES (USES).....	(30,000)	111,070	(259,560)	(370,630)
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	2,188,867	\$ 2,188,867
FUND BALANCE - JULY 1, 2005.....			5,305,546	
FUND BALANCE - JUNE 30, 2006.....			\$ 7,494,413	

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	MAJOR FUND	NONMAJOR FUND	TOTALS	MEDICAL INTERNAL SERVICE FUNDS
	SEWER DEPARTMENT	WATER DEPARTMENT		
ASSETS				
Current assets:				
Cash.....	\$ 75,851	\$ 344,703	\$ 420,554	\$ -
Investments.....				194,604
Receivables:				
Useage.....	839,043	61,391	900,434	
Other.....	151,223	114,911	266,134	19,996
Due from other funds.....		412	412	430,370
Total current assets.....	1,066,117	521,417	1,587,534	644,970
Noncurrent assets:				
Capital assets (net of accumulated depreciation):				
Land.....	1,058,031	40,300	1,098,331	
Buildings and system.....	14,689,957	91,987	14,781,944	
Distribution and collection system.....	27,727,926	4,546,277	32,274,203	
Machinery and equipment.....	8,087,708	452,953	8,540,661	
Total capital assets (net of accumulated depreciation).....	51,563,622	5,131,517	56,695,139	-
TOTAL ASSETS.....	52,629,739	5,652,934	58,282,673	644,970
LIABILITIES				
Current liabilities:				
Accounts payable.....	324,757	796	325,553	
Accrued payroll.....	135,306		135,306	
Claims payable.....			-	489,237
Accrued interest payable.....	60,411		60,411	
Due to other funds.....	117,191		117,191	
Compensated absences.....	47,930		47,930	
Bonds, notes and loans payable.....	380,000		380,000	
Total current liabilities.....	1,065,595	796	1,066,391	489,237
Noncurrent liabilities:				
Advances from other funds.....	1,200,000		1,200,000	-
Bonds, notes and loans payable.....	3,275,000		3,275,000	
Total noncurrent liabilities.....	4,475,000	-	4,475,000	
TOTAL LIABILITIES.....	5,540,595	796	5,541,391	489,237
NET ASSETS				
Invested in capital assets, net of related debt.....	47,908,622	5,131,517	53,040,139	
Unrestricted.....	(819,478)	520,621	(298,857)	155,733
TOTAL NET ASSETS.....	\$ 47,089,144	\$ 5,652,138	\$ 52,741,282	\$ 155,733

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	MAJOR FUND	NONMAJOR FUND	TOTALS	MEDICAL INTERNAL SERVICE FUND
	SEWER DEPARTMENT	WATER DEPARTMENT		
OPERATING REVENUES:				
Charges for services.....	\$ 3,963,923	\$ 218,981	\$ 4,182,904	\$ 6,834,674
Other.....	281,953		281,953	
TOTAL OPERATING REVENUES.....	4,245,876	218,981	4,464,857	6,834,674
OPERATING EXPENSES:				
Personnel services.....	619,297		619,297	
Supplies.....	328,451		328,451	
Maintenance.....	306,958		306,958	
Energy and transportation.....	798,178	9,912	808,090	
Insurance and taxes.....	317,724		317,724	
Contracted services.....	1,139,314		1,139,314	
Claims incurred.....			-	5,053,685
Administration.....		115,482	115,482	650,115
Depreciation.....	1,296,358	94,061	1,390,419	
TOTAL OPERATING EXPENSES.....	4,806,280	219,455	5,025,735	5,703,800
OPERATING INCOME (LOSS).....	(560,404)	(474)	(560,878)	1,130,874
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	1,470	11,695	13,165	5,971
Capital contributions.....		480,084	480,084	
Interest expense.....	(219,888)		(219,888)	
NET NONOPERATING REVENUES (EXPENSES).....	(218,418)	491,779	273,361	5,971
CHANGE IN NET ASSETS.....	(778,822)	491,305	(287,517)	1,136,845
TOTAL NET ASSETS - JULY 1, 2005 (AS RESTATED).....	47,867,966	5,160,833	53,028,799	(981,112)
TOTAL NET ASSETS - JUNE 30, 2006.....	\$ 47,089,144	\$ 5,652,138	\$ 52,741,282	\$ 155,733

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	MAJOR FUND	NONMAJOR FUND	TOTALS	MEDICAL INTERNAL SERVICE FUND
	SEWER DEPARTMENT	WATER DEPARTMENT		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers.....	\$ 4,098,498	\$ 104,547	\$ 4,203,045	\$ 5,690,663
Payments to suppliers.....	(2,750,703)	(124,598)	(2,875,301)	
Payments to employees.....	(619,297)		(619,297)	
Cash paid for benefits and claims.....			-	(4,985,383)
Cash paid for administration.....			-	(650,115)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	728,498	(20,051)	708,447	55,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Additions to capital assets.....	(98,890)	(480,084)	(578,974)	
Capital contribution received.....		480,084	480,084	
Principal payments.....	(385,000)		(385,000)	
Interest payments.....	(219,888)		(219,888)	
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES.....	(703,778)	-	(703,778)	-
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:				
Investment income.....	1,470	11,695	13,165	5,971
NET INCREASE (DECREASE) IN CASH.....	26,190	(8,356)	17,834	61,136
CASH AND CASH EQUIVALENTS - JULY 1, 2005.....	49,661	353,059	402,720	133,468
CASH AND CASH EQUIVALENTS - JUNE 30, 2006.....	\$ 75,851	\$ 344,703	\$ 420,554	\$ 194,604
RECONCILIATION TO EXHIBIT G - CASH:				
CASH AND CASH EQUIVALENTS PER ABOVE.....	\$ 75,851	\$ 344,703	\$ 420,554	\$ 194,604
CASH AND CASH EQUIVALENTS REPORTED AS INVESTMENTS.....			-	(194,604)
CASH - EXHIBIT G.....	\$ 75,851	\$ 344,703	\$ 420,554	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (560,404)	\$ (474)	\$ (560,878)	\$ 1,130,874
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation.....	1,296,358	94,061	1,390,419	
(Increase) Decrease in:				
Receivables.....	(147,378)	(114,434)	(261,812)	(19,996)
Due from other funds.....			-	(430,370)
Increase (Decrease) in:				
Accounts and other payables.....	271,016	796	271,812	67,467
Due to other funds.....	(131,094)		(131,094)	(692,810)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	\$ 728,498	\$ (20,051)	\$ 708,447	\$ 55,165

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	AGENCY FUNDS
<hr/>	
<u>ASSET</u>	
Cash.....	<u>\$ 616,857</u>
<u>LIABILITY</u>	
Accounts payable.....	<u>\$ 616,857</u>

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

TOWN OF MONTVILLE, CONNECTICUTNOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**HISTORY AND ORGANIZATION**

The Town of Montville, Connecticut (the "Town"), was incorporated in 1786. The Town 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 a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning, and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies used by the Town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Bonded Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases.

The Town reports the following major proprietary fund:

The *Sewer Fund* accounts for the activities of the Town's Sewer Department.

Additionally, the Town reports the following fund types:

The *Internal Service Funds* account for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10.

The *Agency Funds* account for monies held on behalf of students and performance bonds.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes and other charges between the Town's sewer and water departments and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund, of the water enterprise fund, and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity**1. Deposits and Investments**

Deposits - The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments were invested in a 2a-7 like pool which operates under State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

Investments for the Town are reported at fair value.

2. Receivables and Payables**a. Interfunds**

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

b. Property Taxes and Other Receivables

In the government-wide financial statements, all trade, property tax, sewer use and sewer assessment receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2% to 30% of outstanding balances at June 30, 2006, and are calculated based upon prior collection history.

In the fund financial statements, all property taxes receivable at June 30, 2006, which have not been collected within 60 days of June 30, have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on property as of October 1 and are billed the following July 1. Real estate and personal property taxes are payable in two installments, July 1 and January 1. Motor vehicle taxes are payable on July 1, and supplemental motor vehicle taxes are payable on January 1. Certificates of continuing lien are filed against delinquent real estate taxes within the first year after the first installment of the tax.

3. Capital Assets

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

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

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings, structures and improvements	33-100
Transportation and communication equipment	8-20
Other equipment	10-75
Infrastructure:	
Roads	75
Sewer plant	50
Sewer lines	100
Water lines	100

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. Assets, Liabilities, and Net Assets or Equity (Continued)****4. Compensated Absences**

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement.

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. The vesting method, using historical data, was used to calculate the liability. Vested sick leave and accumulated vacation leave of proprietary funds are recorded as an expense and liability of those funds and the benefits accrue to employees.

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 and amortized over the term of the related debt.

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

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, net assets are classified into the following categories:

Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Fund Equity (Continued)

Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets

This category presents the net assets of the Town which are not restricted.

7. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

8. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for the internal service fund and the individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town establishes its general fund budget in accordance with provisions of its Town Charter and Connecticut General Statutes.

- 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. By 100 days before the close of the fiscal year
- 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. 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 facility operation. By 75 days before the close of the fiscal year

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

- The Mayor presents a budget message, estimates of revenues and expenditures, and justifications to the Town Council. By 75 days before the close of the fiscal year
- The Town Council publishes the particulars of the budget and holds one or more public hearings. By 60 days before the close of the fiscal year
- The Town Council may add, increase, delete or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor, who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be overridden by a two-thirds vote of the entire Council.
- The Town Council adopts the final budget. By 30 days before the close of the fiscal year
- If the Town Council fails to adopt a budget within the prescribed time frame, 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 for the year ended June 30, 2006, amounted to \$163,570 from fund balance.
- 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 (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (Exhibit F), is as follows:

	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE</u>
BALANCE, BUDGETARY BASIS, EXHIBIT F - JUNE 30, 2006	\$ 50,645,751	\$ 48,197,324	\$ 7,494,413
Encumbrances outstanding at June 30, 2005 liquidated during the year ended June 30, 2006		1,699,195	
Encumbrances outstanding at June 30, 2006 charged to budgetary expenditures.....		(1,774,190)	1,774,190
State Teachers' Retirement on-behalf payment	<u>1,500,000</u>	<u>1,500,000</u>	
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2006....	<u>\$ 52,145,751</u>	<u>\$ 49,622,329</u>	<u>\$ 9,268,603</u>

C. Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2006:

<u>CAPITAL PROJECT FUND</u>	<u>AUTHORIZATION</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES</u>	<u>BALANCE JUNE 30, 2006</u>
School construction.....	\$ 55,350,000	\$ 6,301,663	\$ 12,645,491	\$ 42,704,509
High school fire fund*.....	3,895,324	47,284	3,895,324	-
Palmertown Water.....	<u>2,058,000</u>	<u>378,080</u>	<u>480,304</u>	<u>1,577,693</u>
TOTAL	<u>\$ 61,303,324</u>	<u>\$ 6,727,027</u>	<u>\$ 17,021,122</u>	<u>\$ 44,282,202</u>

*Of the total project authorization to date, \$3,740,373 has been funded by insurance proceeds.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES

A. Cash and Investments

1. Deposits - Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$3,305,957 of the Town's bank balance of \$4,062,429 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,955,361
Uninsured and collateral held by the pledging bank's trust department not in the Town's name	<u>350,596</u>
Total amount subject to custodial credit risk.....	<u>\$ 3,305,957</u>

2. Investments - At June 30, 2006, the Town's investments consisted of the following:

INVESTMENT MATURITIES (IN YEARS)

<u>TYPE OF INVESTMENT</u>	<u>FAIR VALUE</u>	<u>LESS THAN 1</u>
Pooled fixed income	<u>\$ 12,265,040</u>	<u>\$ 12,265,040</u>

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The Town's investments in pooled fixed income investments had average ratings as follows by Standard & Poor's.

<u>AVERAGE RATING</u>	<u>POOLED FIXED INCOME</u>
AAA.....	<u>\$12,265,040</u>

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town's investment in government bonds and corporate bonds are held by the counterparty's trust department or agent but not in the Town's name and is not insured for amounts greater than \$1,000,000.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

B. Receivables

Receivables as of year end for the Town's government-wide financial statements by type, including the applicable allowances for uncollectibles, are as follows:

	<u>PROPERTY TAXES</u>		
	<u>TAXES</u>	<u>INTEREST & LIEN FEES</u>	<u>TOTAL</u>
Current Portion.....	\$ 401,087	\$ 142,496	\$ 543,583
Long-term Portion.....	\$ 984,263	\$ 667,909	\$ 1,652,172
Less Allowance for Uncollectibles	(166,242)	(240,420)	(406,662)
Net Long-term Portion.....	<u>\$ 818,021</u>	<u>\$ 427,489</u>	<u>\$ 1,245,510</u>
	<u>SEWER ASSESSMENTS</u>		
	<u>ASSESSMENTS</u>	<u>INTEREST & LIEN FEES</u>	<u>TOTAL</u>
Current Portion.....	\$ 234,612	\$ 20,291	\$ 254,903
Long-term Portion.....	\$ 1,261,641	\$ 109,117	\$ 1,370,758
Less Allowance for Uncollectibles	(29,925)	(2,588)	(32,513)
Net Long-Term Portion	<u>\$ 1,231,716</u>	<u>\$ 106,529</u>	<u>\$ 1,338,245</u>
	<u>PROPRIETARY FUND TYPE</u>		
	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
Use Charges Receivable	\$ 859,043	\$ 64,391	\$ 923,434
Less Allowance for Uncollectibles	(20,000)	(3,000)	(23,000)
Net Receivables	<u>\$ 839,043</u>	<u>\$ 61,391</u>	<u>\$ 900,434</u>

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

B. Receivables (Continued)

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:

DEFERRED REVENUE:

Delinquent property taxes receivable (general fund).....	\$ 1,273,304
Special assessments not yet due (general fund).....	1,496,253

UNEARNED REVENUE:

Grant drawdowns prior to meeting all eligibility requirements	<u>53,343</u>
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TOTAL UNEARNED REVENUE FOR GOVERNMENTAL FUNDS	<u>\$ 2,822,900</u>
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C. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	BALANCE JULY 1, 2005 (RESTATED)	INCREASES	DECREASES	BALANCE JUNE 30, 2006
<u>Governmental Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land	\$ 960,468	\$ 110,100	\$ 48,050	\$ 1,022,518
Construction in progress.....	<u>6,344,087</u>	<u>6,301,665</u>		<u>12,645,752</u>
Total Capital Assets, not being depreciated.....	<u>7,304,555</u>	<u>6,411,765</u>	<u>48,050</u>	<u>13,668,270</u>
<u>Capital Assets, being Depreciated:</u>				
Land improvements	931,355	20,700		952,055
Buildings and systems	30,124,263	7,725		30,131,988
Machinery and equipment	9,048,042	490,787	237,919	9,300,910
Infrastructure.....	<u>15,593,015</u>			<u>15,593,015</u>
Total Capital Assets being depreciated	<u>55,696,675</u>	<u>519,212</u>	<u>237,919</u>	<u>55,977,968</u>
Total Capital Assets.....	<u>63,001,320</u>	<u>6,930,977</u>	<u>285,969</u>	<u>69,646,238</u>
<u>Less Accumulated Depreciation for:</u>				
Land improvements	521,650	33,265		554,915
Buildings and systems	7,456,744	394,431		7,851,175
Machinery and equipment	4,406,714	544,742	214,027	4,737,429
Infrastructure.....	<u>5,337,148</u>	<u>207,056</u>		<u>5,544,204</u>
Total Accumulated Depreciation	<u>17,722,256</u>	<u>1,179,494</u>	<u>214,027</u>	<u>18,687,723</u>
Total Capital Assets, being depreciated, net	<u>37,974,419</u>	<u>(660,282)</u>	<u>23,892</u>	<u>37,290,245</u>
Governmental Activities Capital Assets, net	<u>\$ 45,278,974</u>	<u>\$ 5,751,483</u>	<u>\$ 71,942</u>	<u>\$ 50,958,515</u>

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

C. Capital Assets (Continued)

	BALANCE JULY 1, 2005 (RESTATED)	INCREASES	BALANCE JUNE 30, 2006
<u>Business-Type Activities:</u>			
<u>Capital Assets, not being Depreciated/Amortized:</u>			
Land.....	\$ 1,098,331	\$	\$ 1,098,331
<u>Capital Assets, being Depreciated/Amortized:</u>			
Buildings	18,182,541		18,182,541
Distribution and collection system	43,104,623	465,684	43,570,307
Machinery and equipment	12,296,210	113,290	12,409,500
Total Capital Assets, being Depreciated/Amortized....	73,583,374	578,974	74,162,348
Total Capital Assets	74,681,705	578,974	75,260,679
<u>Less Accumulated Depreciation/Amortization for:</u>			
Buildings	3,040,711	359,886	3,400,597
Distribution and collection system	10,719,067	577,037	11,296,104
Machinery and equipment	3,415,343	453,496	3,868,839
Total Accumulated Depreciation/Amortization.....	17,175,121	1,390,419	18,565,540
Total Capital Assets, being Depreciated/Amortized, net.....	56,408,253	(811,445)	55,596,808
Business-Type Activities Capital Assets, net.....	\$57,506,584	\$ (811,445)	\$56,695,139

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:

General administration	\$ 60,511
Public safety.....	230,133
Public works	340,742
Health and welfare.....	25,189
Recreation	78,699
Education	444,220
Total Depreciation Expense - Governmental Activities.....	\$ 1,179,494

Business-Type Activities:

Sewer.....	\$ 1,296,358
Water.....	94,061
Total Depreciation Expense - Business-Type Activities.....	\$ 1,390,419

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

1. Interfund Payables and Receivables

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances at June 30, 2006, is presented below:

<u>DUE FROM/TO OTHER FUNDS:</u>	<u>CORRESPONDING FUND</u>	<u>DUE FROM</u>	<u>DUE TO</u>
<u>MAJOR FUNDS:</u>			
<u>GENERAL FUND:</u>			
Bonded projects	N/A	\$	\$ 2,082,468
Town aid road fund	N/A		55,070
Special education grant fund	N/A		3,012
Social services fund	N/A		53,878
Youth services bureau fund	NA		9,989
Learn not to burn fund	N/A		459
Open space recreation fund	N/A		5,000
Town historic preservation	N/A		6,859
Police donations fund	N/A		3,615
Capital nonrecurring fund	N/A		1,828
Carryforward fund	N/A		741,793
Palmertown water fund	N/A	9,590	
Sewer fund	N/A	116,779	
Internal service fund	N/A		430,370
TOTAL GENERAL FUND		<u>126,369</u>	<u>3,394,341</u>
<u>MAJOR – BONDED PROJECTS:</u>			
Bonded projects	General Fund	<u>2,082,468</u>	
<u>MAJOR – SEWER:</u>			
Sewer fund	General Fund		116,779
Sewer fund	Water Fund		<u>412</u>
TOTAL MAJOR – SEWER		<u>-</u>	<u>117,191</u>
NONMAJOR – WATER	Sewer Fund	<u>412</u>	
<u>NONMAJOR:</u>			
Town aid road fund	General Fund	55,070	
Special education grant fund	General Fund	3,012	
Social services fund	General Fund	53,878	
Youth services bureau fund	General Fund	9,989	
Learn not to burn fund	General Fund	459	
Open space recreation fund	General Fund	5,000	
Town historic preservation	General Fund	6,859	
Police donations fund	General Fund	3,615	
Capital nonrecurring fund	General Fund	1,828	
Carryforward fund	General Fund	741,793	
Palmertown water fund	General Fund		<u>9,590</u>
TOTAL NONMAJOR		<u>881,503</u>	<u>9,590</u>
INTERNAL SERVICE FUND	General Fund	<u>430,370</u>	
GRAND TOTAL		<u>\$ 3,521,122</u>	<u>\$ 3,521,122</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts (Continued)

1. Interfund Payables and Receivables (Continued)

<u>ADVANCES FROM/TO OTHER FUNDS:</u>	<u>CORRESPONDING FUND</u>	<u>DUE FROM</u>	<u>DUE TO</u>
MAJOR FUNDS			
GENERAL FUND:			
Sewer fund.....	N/A	\$ 1,200,000	\$ _____
MAJOR - SEWER:			
Sewer department.....	General Fund	_____	1,200,000
GRAND TOTAL.....		<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

2. Interfund Transfers

A summary of interfund transfers as of June 30, 2006 is as follows:

MAJOR FUNDS	<u>CORRESPONDING FUND</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL FUND:			
Capital nonrecurring fund.....	N/A	\$ _____	\$ 52,500
Carry forward fund.....	N/A	_____	207,060
TOTAL GENERAL FUND.....		-	259,560
NONMAJOR FUNDS:			
Capital nonrecurring.....	General Fund	52,500	
Carry forward fund.....	General Fund	207,060	
TOTAL NONMAJOR FUNDS.....		259,560	-
GRAND TOTAL.....		<u>\$ 259,560</u>	<u>\$ 259,560</u>

Transfers are used to account for the financing by the general fund of various program and activities in other funds.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E Changes in Long-Term Obligations

1. Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

DESCRIPTION	ORIGINAL PRINCIPAL	DATE OF ISSUE	FINAL MATURITY	INTEREST RATES	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006	CURRENT PORTION
GOVERNMENTAL ACTIVITIES									
BONDS/NOTES									
General Purpose:									
Improvement bond	\$ 7,310,000	03/15/88	03/15/05	6.4% - 7.0%	\$ 2,190,000	\$	\$ 220,000	\$ 1,970,000	\$ 220,000
Improvement bond	8,050,000	03/01/92	03/01/12	5.0% - 6.3%	2,745,000		395,000	2,350,000	395,000
Improvement bond	2,845,000	03/01/94	12/01/13	3.5% - 5.5%	1,005,000		140,000	865,000	140,000
Improvement bond	3,400,000	11/15/01	07/15/21	3.0% - 5%	2,890,000		170,000	2,720,000	170,000
Total General Purpose					8,830,000	-	925,000	7,905,000	925,000
Schools:									
School bonds	11,500,000	04/15/91	06/15/11	5.7% - 6.7%	3,450,000		575,000	2,875,000	575,000
School bonds	707,000	11/15/01	07/15/21	3.0% - 5.0%	599,250		35,250	564,000	35,250
School bonds	390,000	11/15/01	07/15/21	3.0% - 5.0%	330,750		19,750	311,000	19,750
School bonds	10,000,000	09/15/04	09/15/25	2.5% - 4.5%	10,000,000			10,000,000	410,000
Total School Bonds					14,380,000	-	630,000	13,750,000	1,040,000
Sewer:									
Sewer bond	4,630,000	03/01/94	12/01/13	3.5% - 5.5%	1,890,000		230,000	1,660,000	225,000
Water:									
Water bond	497,000	01/28/86	01/28/06	6.625%	24,850		24,850	-	
Water bond	79,100	09/16/86	09/16/06	6.125%	7,910		3,955	3,955	3,955
Water bond	70,000	09/15/04	09/15/25	2.5% - 4.5%	70,000			70,000	30,000
Total Water Bonds					102,760	-	28,805	73,955	33,955
TOTAL BONDS/NOTES					25,202,760		1,813,805	23,388,955	2,223,955
CAPITAL LEASE OBLIGATIONS					837,416		128,112	709,304	132,494
COMPENSATED ABSENCES					3,737,715	126,885	386,514	3,478,086	695,617
TEACHER EARLY RETIREMENT					244,441	173,755	143,697	274,499	110,114
LANDFILL CLOSURE					665,000		35,000	630,000	35,000
TOTAL GENERAL LONG-TERM OBLIGATIONS					\$ 30,687,332	\$ 300,640	\$ 2,507,128	\$ 28,480,844	\$ 3,197,180

All long-term liabilities are generally liquidated by the General Fund.

DESCRIPTION	ORIGINAL PRINCIPAL	DATE OF ISSUE	FINAL MATURITY	INTEREST RATES	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006	CURRENT PORTION
BUSINESS-TYPE ACTIVITIES									
ENTERPRISE FUNDS:									
Sewer Bond	\$ 730,000	03/01/92	03/01/12	5.3%-6.3%	\$ 315,000	\$	\$ 45,000	\$ 270,000	\$ 45,000
Sewer Bond	2,130,000	12/01/94	12/01/11	5.3%-7.5%	810,000		120,000	690,000	115,000
Sewer Bond	390,000	12/01/94	12/01/13	3.5%-5.5%	115,000		20,000	95,000	20,000
Sewer Bond	1,350,000	02/15/99	02/15/19	6.6%-6.6%	960,000		65,000	895,000	65,000
Sewer Bond	2,650,000	02/15/99	02/15/19	4.0%-6.0%	1,840,000		135,000	1,705,000	135,000
TOTAL ENTERPRISE FUNDS OBLIGATIONS					\$ 4,040,000	\$ -	\$ 385,000	\$ 3,655,000	\$ 380,000

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

1. Summary of Changes (Continued)

The following is a summary of amounts to be provided by the State of Connecticut for the retirement of school bonds and bond and note maturities:

FISCAL YEAR ENDED JUNE 30,	AMOUNT TO BE PROVIDED BY STATE PRINCIPAL	AMOUNT TO BE PROVIDED BY STATE INTEREST	BONDS		TEACHERS' EARLY RETIREMENT	LANDFILL CLOSURE	ENTERPRISE FUNDS BONDS	
			PRINCIPAL	INTEREST			PRINCIPAL	INTEREST
2007	\$ 532,274	\$ 182,206	\$ 2,223,955	\$ 1,113,972	\$ 110,114	\$ 35,000	\$ 380,000	\$ 201,751
2008	532,274	147,707	2,230,000	998,276	119,467	35,000	375,000	180,014
2009	528,882	113,208	2,230,000	882,336	27,722	35,000	375,000	158,330
2010	528,882	78,392	2,225,000	765,327	10,318	35,000	375,000	136,533
2011	528,882	43,575	2,225,000	647,136	6,878	35,000	375,000	114,345
2012	139,081	8,757	1,745,000	525,968		35,000	375,000	92,028
2013			1,195,000	445,221		35,000	200,000	74,265
2014			1,190,000	389,067		35,000	200,000	63,925
2015			995,000	333,957		35,000	200,000	53,455
2016			785,000	285,613		35,000	200,000	42,855
2017			785,000	253,088		35,000	200,000	32,190
2018			785,000	220,450		35,000	200,000	21,525
2019			785,000	187,250		35,000	200,000	10,795
2020			785,000	153,600		35,000		
2021			785,000	119,951		35,000		
2022			770,000	86,625		35,000		
2023			550,000	58,781		35,000		
2024			550,000	35,750		35,000		
2025			550,000	12,031				
TOTALS	<u>\$ 2,790,275</u>	<u>\$ 573,845</u>	<u>\$ 23,388,955</u>	<u>\$ 7,514,399</u>	<u>\$ 274,499</u>	<u>\$ 630,000</u>	<u>\$ 3,655,000</u>	<u>\$ 1,182,011</u>

2. Statutory Debt Limitation

The Town's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Net Indebtedness	Balance
General Purpose	\$ 67,965,764	\$ 7,905,000	\$ 60,060,764
Schools	135,931,527	10,959,725	124,971,802
Sewers	113,276,273		113,276,273
Urban renewal	98,172,770		98,172,770
Pension deficit	90,621,018		90,621,018

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$211,449,042.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grant receivables of \$2,790,275 for bond principal are reflected as deductions in the computation of net indebtedness.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

3. Capital Leases

Capital Lease Commitments - The Town is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,837,306 at June 30, 2006. The following is a schedule of future minimum lease payments under capital leases, together with net present value of the minimum lease payments as of June 30, 2006.

YEAR ENDING <u>JUNE 30,</u>	GENERAL LONG- <u>TERM DEBT</u>
2007	\$ 156,754
2008	156,754
2009	156,754
2010	156,754
2011	<u>156,754</u>
Minimum lease payments for all capital leases	783,770
Less: amount representing interest	<u>74,466</u>
Present value of minimum lease payments	<u>\$ 709,304</u>

4. Landfill Closure and Postclosure 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 postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill postclosure care costs has a balance of \$630,000 as of June 30, 2006, which is based on 100% usage of the landfill. The estimated total current cost of the landfill closure and postclosure 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, 2006. However, postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The Town of Montville will finance the costs of postclosure care through charges to taxpayers. It is anticipated that future inflation costs and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be financed through future borrowings or tax collections.

5. Termination Benefits

The Board of Education provides early retirement incentive benefits to 22 former employees. Benefits are paid annually based on the retirement agreement for each employee. Benefits are payable through 2011. The amount paid during the year ended June 30, 2006, was \$143,697 from general fund appropriations.

6. Authorized/Unissued Bonds

The amount of authorized, unissued bonds for school purposes is \$20,900,000

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters, and owners' and contractors' protective liability.

The Town established as an internal service fund, the health insurance fund, to account for and finance the retained risk of loss for Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The health insurance fund provides coverage for all eligible full time employees.

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.

Health insurance premiums are based upon estimates by number of employees and type of coverage (single or family), trends in the insurance claims and estimates for administration. The claims liability reported is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded.

The health insurance fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, including the effects of specific, incremental claim adjustment expenditures, salvage and subrogation; allocated claim adjustment expenditures are not included.

	CLAIMS PAYABLE <u>JULY 1</u>	CURRENT YEAR CLAIMS AND CHANGES IN <u>ESTIMATES</u>	CLAIMS <u>PAID</u>	CLAIMS PAYABLE <u>JUNE 30</u>
2004-2005	\$ 485,320	\$ 4,935,877	\$ 5,000,262	\$ 420,935
2005-2006	420,935	5,053,685	4,985,383	489,237

The Town currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation and employer liability coverage. CIRMA currently has 233 members in the workers' compensation pool. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from the amounts held in prior years.

IV. OTHER INFORMATION (CONTINUED)**B. Commitments and Litigation**

The Town has been named as defendant in several claims and legal actions. The Town's management estimates that the potential claims against the Town, which are not covered by insurance, would not materially affect the financial condition of the Town.

The Town has received federal and state 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 expenditures disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowances, if any, will not be material.

In October of 2006, a judgment was entered in a case brought against the Town of Montville and the Town of Montville Water Pollution Control Authority and a verdict in the amount of \$13.5 million was entered in favor of Rand Whitney on its claims for damages and against the Town on its two affirmative defenses to damages. The Town plans to appeal the verdict.

C. Pension Plans**Municipal Employees' Retirement Fund**

The Town makes contributions to one public employee retirement system covering substantially all municipal employees except teachers and firemen. Teachers are covered by the State Teachers' Retirement System, which does not require a municipal contribution. The Town firemen have contributions made to individual retirement accounts.

1. Plan Description

All full-time employees of the Town, except for certified board of education personnel and firefighters, participate in the Municipal Employees' Retirement System (MERS). MERS is a cost sharing multiple employer Public Employee Retirement System (PERS) defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Connecticut Retirement and Benefit Services Division, Office of the State Controller, 55 Elm Street, Hartford, CT 06106.

2. Plan Provisions

Plan provisions are set by Statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases between 3% and 5% are paid to disabled members and nondisabled retired members who have reached age 65. All benefits vest after 10 years of continuous service. Members who retire after age 55 with 10 years of continuous service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life.

TOWN OF MONTVILLE, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Municipal Employees' Retirement Fund (Continued)

3. Funding Policy

Covered employees are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan.

The required and actual contributions for the years ended June 30, 2004, 2005 and 2006 were \$207,215, \$219,575 and \$331,358, respectively.

D. On-Behalf Payments

The amount recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the state on-behalf of the Town's teachers was \$1,500,000.

E. Restatements

Beginning net assets were restated as follows:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	
		<u>SEWER DEPARTMENT</u>	<u>WATER DEPARTMENT</u>
Net assets – June 30, 2005, as previously reported	\$ 25,700,783	\$ 37,210,766	\$ 4,775,755
To reclassify capital assets	<u>8,392,858</u>	<u>10,657,200</u>	<u>385,078</u>
Net assets – July 1, 2005, as restated.....	<u>\$ 34,093,241</u>	<u>\$ 47,867,966</u>	<u>\$ 5,160,833</u>

Combining Individual Fund

Statements

and

Schedules

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF MONTVILLE, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
TAXES, INTEREST AND LIEN FEES:				
General property taxes.....	\$ 29,800,440	\$ 29,800,440	\$ 29,830,883	\$ 30,443
Interest and lien fees.....	237,000	237,000	346,297	109,297
Telephone access line tax.....	162,000	162,000	112,175	(49,825)
TOTAL TAXES, INTEREST AND LIEN FEES.....	30,199,440	30,199,440	30,289,355	89,915
INTERGOVERNMENTAL:				
STATE GRANTS FOR SCHOOL AID:				
ECS grant.....	10,640,844	10,640,844	10,769,869	129,025
Transportation.....	483,047	483,047	541,584	58,537
Education of the blind.....			12,800	12,800
Special education.....	150,000	150,000	143,071	(6,929)
Adult education.....	28,504	28,504	29,924	1,420
Reimbursement middle school bond.....	748,445	748,445	748,448	3
TOTAL STATE GRANTS FOR SCHOOL AID.....	12,050,840	12,050,840	12,245,696	194,856
STATE GRANTS - UNSPECIFIED:				
Welfare.....				
In lieu of taxes.....	1,170,697	1,170,697	1,260,277	89,580
Emergency management program.....	6,000	6,000		(6,000)
Tax relief for elderly.....	103,000	103,000	103,482	482
Manufacturer inventory tax.....	155,000	155,000	175,438	20,438
Other grants.....	113,700	113,700	206,530	92,830
Pequot funds.....	1,520,478	1,520,478	1,727,668	207,190
TOTAL STATE GRANTS - UNSPECIFIED.....	3,068,875	3,068,875	3,473,395	404,520
TOTAL INTERGOVERNMENTAL.....	15,119,715	15,119,715	15,719,091	599,376
CHARGES FOR SERVICES:				
LICENSES AND PERMITS:				
Conveyance tax.....	275,000	275,000	336,267	61,267
Town clerk fees.....	175,000	175,000	189,714	14,714
Dog licenses.....	6,000	6,000	9,833	3,833
Dog warden.....	2,500	2,500	2,325	(175)
Building department.....	300,000	300,000	325,120	25,120
Miscellaneous permits.....	2,500	2,500	5,720	3,220
Transfer station.....	111,000	111,000	184,308	73,308
TOTAL LICENSES AND PERMITS.....	872,000	872,000	1,053,287	181,287

(Continued)

SCHEDULE 1
(2 of 2)

TOWN OF MONTVILLE, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL (CONCLUDED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
CHARGES FOR SERVICES: (CONTINUED)				
REVENUE FROM OTHER AGENCIES:				
Planning and zoning and zoning board of appeals.....	\$ 8,000	\$ 8,000	\$ 17,990	\$ 9,990
Parks and recreation.....	60,000	60,000	66,465	6,465
Housing authority.....	19,000	19,000	22,290	3,290
Inland - wetlands.....				
Youth services program.....	20,000	20,000	23,808	3,808
TOTAL REVENUE FROM OTHER AGENCIES.....	107,000	107,000	130,553	23,553
CHARGES FOR CURRENT SERVICES:				
Tuition - regular.....	130,000	130,000	122,488	(7,512)
Tuition - special education.....	170,000	170,000	298,614	128,614
School miscellaneous revenue.....	2,500	2,500	10,335	7,835
Public works department.....	10,000	10,000	12,744	2,744
Commercial tipping fees.....	450,000	450,000	468,386	18,386
Assessor's office.....	4,000	4,000	4,674	674
TOTAL CHARGES FOR CURRENT SERVICES.....	766,500	766,500	917,241	150,741
MISCELLANEOUS:				
St. Bernard's health service.....	20,000	20,000	23,144	3,144
Police reimbursement.....	175,000	175,000	380,883	205,883
Insurance reimbursement.....	45,000	45,000	25,615	(19,385)
Millstone reimbursement.....	9,500	9,500	10,195	695
Welfare reimbursement.....	5,000	5,000	37,923	32,923
Senior citizens' clinic.....	500	500		(500)
Fire marshal private duty.....	8,000	8,000	3,266	(4,734)
All other miscellaneous.....	20,000	20,000	41,908	21,908
Sale of assets.....	6,000	6,000		(6,000)
Mohegan contributions.....	500,000	500,000	500,000	-
TOTAL MISCELLANEOUS.....	789,000	789,000	1,022,934	233,934
TOTAL CHARGES FOR SERVICES.....	2,534,500	2,534,500	3,124,015	589,515
REVENUE FROM USE OF TOWN MONEY:				
Investment interest.....	150,000	150,000	778,445	628,445
Sewer assessments.....	700,000	700,000	640,788	(59,212)
Water assessments.....	15,000	15,000	94,057	79,057
TOTAL REVENUE FROM USE OF TOWN MONEY.....	865,000	865,000	1,513,290	648,290
TOTAL REVENUES.....	48,718,655	48,718,655	50,645,751	1,927,096
OTHER FINANCING SOURCES:				
Appropriation of fund balance.....		163,570		(163,570)
TOTAL REVENUES AND OTHER FINANCING SOURCES.....	\$ 48,718,655	\$ 48,882,225	\$ 50,645,751	\$ 1,763,526

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
GENERAL GOVERNMENT:				
MAYOR:				
Human services.....	\$ 119,942	\$ 124,242	\$ 122,180	\$ 2,062
Contractual services.....	32,550	33,700	32,786	914
Commodities.....	9,025	6,215	5,009	1,206
TOTAL MAYOR.....	161,517	164,157	159,975	4,182
TOWN COUNCIL:				
Human services.....	18,500	18,500	18,333	167
Contractual services.....	13,600	13,600	9,141	4,459
Commodities.....	1,000	1,000	421	579
TOTAL TOWN COUNCIL.....	33,100	33,100	27,895	5,205
TOWN ATTORNEY.....	525,000	745,000	725,280	19,720
TOWN HALL/CENTRAL SERVICES:				
Contractual services.....	176,300	187,300	175,961	11,339
Commodities.....	6,000	6,000	4,775	1,225
Capital.....	28,000	28,000	26,820	1,180
TOTAL HALL/CENTRAL SERVICES.....	210,300	221,300	207,556	13,744
PROBATE COURT:				
Contractual services.....	1,300	1,300	477	823
Commodities.....	600	600	370	230
TOTAL PROBATE COURT.....	1,900	1,900	847	1,053
FINANCE DEPARTMENT:				
Human services.....	405,950	405,250	402,563	2,687
Contractual services.....	122,200	145,375	139,097	6,278
Commodities.....	16,950	17,100	16,413	687
Capital.....	1,800	1,175	1,168	7
TOTAL FINANCE DEPARTMENT.....	546,900	568,900	559,241	9,659
INSURANCE AND TAXES.....	3,167,911	2,958,046	2,912,282	45,764
BOARD OF ASSESSMENT APPEALS:				
Human services.....	1,200	1,250	1,248	2
Contractual services.....	1,300	1,300	318	982
Commodities.....	200	150		150
TOTAL BOARD OF ASSESSMENT APPEALS.....	2,700	2,700	1,566	1,134
AUDITOR.....	45,000	45,000	42,400	2,600
OTHER.....	213,800	113,800	60,200	53,600
TOWN CLERK:				
Human services.....	103,650	104,045	103,646	399
Contractual services.....	6,250	5,600	4,437	1,163
Commodities.....	39,200	46,455	42,214	4,241
Capital.....	2,500	2,500	2,500	-
TOTAL TOWN CLERK.....	151,600	158,600	152,797	5,803
REGISTRAR OF VOTERS:				
Human services.....	48,550	48,550	48,185	365
Contractual services.....	4,750	4,300	2,556	1,744
Commodities.....	2,300	2,750	1,324	1,426
Capital.....	100	100		100
TOTAL REGISTRAR OF VOTERS.....	55,700	55,700	52,065	3,635
ELECTIONS/REFERENDUM:				
Contractual services.....	19,000	20,670	20,137	533
Commodities.....	4,500	2,830	2,577	253
TOTAL ELECTIONS/REFERENDUM.....	23,500	23,500	22,714	786
LAND USE DEPARTMENT:				
Human services.....	179,387	179,732	179,696	36
Contractual services.....	8,900	9,400	7,943	1,457
Commodities.....	6,000	5,455	4,659	796
Capital.....	1,000	700	658	42
TOTAL LAND USE DEPARTMENT.....	195,287	195,287	192,956	2,331

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL (CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
INLAND WETLANDS COMMISSION:				
Human services.....	\$ 1,200	\$ 3,300	\$ 2,076	\$ 1,224
Contractual services.....	1,650	3,150	2,133	1,017
Commodities.....	600			-
TOTAL INLAND WETLANDS COMMISSION.....	3,450	6,450	4,209	2,241
ECONOMIC DEVELOPMENT COMMISSION:				
Human services.....	600	600	488	112
Contractual services.....	465	465		465
Commodities.....	900	900		900
TOTAL ECONOMIC DEVELOPMENT COMMISSION.....	1,965	1,965	488	1,477
BUILDING BOARD OF APPEALS.....	100	100		100
ZONING BOARD OF APPEALS:				
Human services.....	900	1,900	1,832	68
Contractual services.....	2,100	6,300	4,922	1,378
Commodities.....	100			-
TOTAL ZONING BOARD OF APPEALS.....	3,100	8,200	6,754	1,446
SENIOR CENTER:				
Human services.....	74,450	75,145	74,177	968
Contractual services.....	32,910	40,840	40,120	720
Commodities.....	8,400	9,575	9,552	23
TOTAL SENIOR CENTER.....	115,760	125,560	123,849	1,711
YOUTH SERVICES:				
Human services.....	115,611	115,610	114,274	1,336
Contractual services.....	43,849	45,850	44,452	1,398
Commodities.....	6,050	5,450	5,450	-
TOTAL YOUTH SERVICES.....	165,510	166,910	164,176	2,734
PRIVATE DUTY:				
Human services.....	183,000	288,000	270,920	17,080
BUILDING INSPECTOR:				
Human services.....	179,300	178,300	175,779	2,521
Contractual services.....	3,600	4,150	2,795	1,355
Commodities.....	4,400	20,900	19,903	997
Capital.....	1,750	1,700	1,655	45
TOTAL BUILDING INSPECTOR.....	189,050	205,050	200,132	4,918
SCHOOL BUILDING COMMITTEE:				
Human services.....	2,000	2,000	1,864	136
Commodities.....	500	500	18	482
TOTAL SCHOOL BUILDING COMMITTEE.....	2,500	2,500	1,882	618
TOTAL GENERAL GOVERNMENT.....	5,998,650	6,091,725	5,890,184	201,541

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL (CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
PUBLIC SAFETY:				
EMERGENCY MANAGEMENT:				
Human services.....	\$ 57,600	\$ 57,600	\$ 57,048	\$ 552
Contractual services.....	11,600	11,603	10,657	946
Commodities.....	4,000	3,997	2,721	1,276
TOTAL EMERGENCY MANAGEMENT.....	73,200	73,200	70,426	2,774
POLICE DEPARTMENT:				
Human services.....	1,290,345	1,306,145	1,249,365	56,780
Contractual services.....	134,350	147,965	145,193	2,772
Commodities.....	36,110	35,985	32,756	3,229
Capital.....	37,500	56,130	56,076	54
TOTAL POLICE DEPARTMENT.....	1,498,305	1,546,225	1,483,390	62,835
FIRE MARSHAL:				
Human services.....	69,300	60,800	60,087	713
Contractual services.....	3,000	5,103	4,009	1,094
Commodities.....	5,850	6,247	4,729	1,518
TOTAL FIRE MARSHAL.....	78,150	72,150	68,825	3,325
ANIMAL CONTROL:				
Human services.....	40,590	41,590	40,621	969
Contractual services.....	6,805	6,555	3,408	3,147
Commodities.....	12,425	11,675	1,713	9,962
TOTAL ANIMAL CONTROL.....	59,820	59,820	45,742	14,078
PUBLIC SAFETY COMMISSION:				
Human services.....	1,500	1,800	1,726	74
Contractual services.....	2,900	2,600		2,600
Commodities.....	200	200	44	156
TOTAL PUBLIC SAFETY COMMISSION.....	4,600	4,600	1,770	2,830
DISPATCH:				
Human services.....	201,000	201,200	196,306	4,894
Contractual services.....	13,400	12,700	11,543	1,157
Commodities.....	3,920	4,420	3,160	1,260
TOTAL DISPATCH.....	218,320	218,320	211,009	7,311
FIRE PROTECTION:				
Human services.....	566,665	594,665	570,413	24,252
Contractual services.....	343,505	343,505	332,636	10,869
Commodities.....	18,950	40,625	37,037	3,588
TOTAL FIRE PROTECTION.....	929,120	978,795	940,086	38,709
PUBLIC SAFETY BUILDING:				
Contractual services.....	51,700	56,040	47,615	8,425
Commodities.....	1,500	1,560	1,524	36
TOTAL PUBLIC SAFETY BUILDING.....	53,200	57,600	49,139	8,461
TOTAL PUBLIC SAFETY.....	2,914,715	3,010,710	2,870,387	140,323

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL (CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
PUBLIC WORKS:				
PUBLIC WORKS:				
Human services.....	\$ 1,153,892	\$ 1,136,502	\$ 1,133,716	\$ 2,786
Contractual services.....	383,200	521,390	510,285	11,105
Commodities.....	442,200	442,651	425,728	16,923
Capital.....	19,700	26,549	26,011	538
TOTAL PUBLIC WORKS.....	1,998,992	2,127,092	2,095,740	31,352
CAMP OAKDALE:				
Contractual services.....	61,600	62,250	50,700	11,550
Commodities.....	6,500	5,850	5,548	302
TOTAL CAMP OAKDALE.....	68,100	68,100	56,248	11,852
SOLID WASTE:				
Human services.....	102,100	109,100	105,834	3,266
Contractual services.....	1,014,700	1,029,767	1,025,115	4,652
Commodities.....	12,600	6,032	4,818	1,214
Capital.....	20,000	11,501	11,500	1
TOTAL SOLID WASTE.....	1,149,400	1,156,400	1,147,267	9,133
ENGINEERING SERVICES.....	100,000	95,000	83,759	11,241
TOTAL PUBLIC WORKS.....	3,316,492	3,446,592	3,383,014	63,578
HEALTH:				
Contractual services.....	146,358	150,008	149,501	507
Commodities.....	700	700	610	90
TOTAL HEALTH.....	147,058	150,708	150,111	597
SOCIAL SERVICES:				
Human services.....	23,200	23,756	23,733	23
Contractual services.....	4,170	4,440	3,524	916
Commodities.....	2,800	23,974	23,565	409
TOTAL SOCIAL SERVICES.....	30,170	52,170	50,822	1,348
RECREATION:				
RECREATION:				
Human services.....	171,688	178,688	176,648	2,040
Contractual services.....	13,360	13,689	9,202	4,487
Commodities.....	34,011	26,692	25,576	1,116
Capital.....	1,500	1,490	1,479	11
TOTAL RECREATION.....	220,559	220,559	212,905	7,654
FAIR OAKS BUILDING:				
Contractual services.....	24,600	27,100	25,716	1,384
PARKS AND RECREATION COMMISSION:				
Human services.....	840	840	732	108
Commodities.....	100	100	22	78
TOTAL PARKS AND RECREATION COMMISSION..	940	940	754	186
TOTAL RECREATION.....	246,099	248,599	239,375	9,224

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL (CONCLUDED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
MISCELLANEOUS:				
Donations to organizations.....	\$ 72,667	\$ 72,667	\$ 71,222	\$ 1,445
Commission on aging.....	100	100		100
TOTAL MISCELLANEOUS.....	72,767	72,767	71,222	1,545
EDUCATION.....	31,794,709	31,794,709	31,789,167	5,542
CAPITAL OUTLAY.....	570,000	581,750	373,815	207,935
DEBT SERVICE:				
Redemption of debt - principal.....	1,988,773	1,942,673	1,941,917	756
Interest payments.....	1,609,222	1,437,322	1,437,310	12
TOTAL DEBT SERVICE.....	3,597,995	3,379,995	3,379,227	768
TOTAL EXPENDITURES.....	48,688,655	48,829,725	48,197,324	632,401
OTHER FINANCING USES:				
Transfers out - capital nonrecurring fund.....	30,000	52,500	52,500	-
Transfers out - carryforward fund.....			207,060	(207,060)
TOTAL OTHER FINANCING USES.....	30,000	52,500	259,560	(207,060)
TOTAL EXPENDITURES AND OTHER FINANCING USES.....	\$ 48,718,655	\$ 48,882,225	\$ 48,456,884	\$ 425,341

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2006

GRAND LIST YEAR	UNCOLLECTED TAXES JULY 1, 2005	CURRENT YEAR LEVY	LAWFUL CORRECTIONS		TRANSFERS TO SUSPENSE	ADJUSTED TAXES COLLECTIBLE	TAXES	COLLECTIONS		UNCOLLECTED TAXES JUNE 30, 2006
			ADDITIONS	DEDUCTIONS				INTEREST & LIEN FEES	TOTAL	
SUSPENSE	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1989	3,059		10	3,051		18	2,511	3,550	6,061	-
1990	7,719			176	7,543	8	18	45	63	-
1991	13,089			359	12,730	37	8	189	197	7,535
1992	16,532			383	16,149	2,084	37	116	153	12,693
1993	18,866			449	18,417	2,441	2,084	4,519	6,603	14,065
1994	21,743			493	21,250	3,219	2,441	4,845	7,286	15,976
1995	30,995			545	30,450	8,965	3,219	4,844	8,063	18,031
1996	37,166			519	36,645	9,733	8,965	13,789	22,754	21,485
1997	43,033		40	537	42,471	12,067	9,733	20,097	29,830	26,712
1998	51,350		80	587	50,843	12,908	12,067	16,255	28,322	30,404
1999	51,673		40	676	50,896	15,744	12,908	13,411	26,319	37,935
2000	93,627		42	828	93,268	18,431	15,744	15,886	31,630	35,152
2001	132,158		74	3,678	126,711	38,441	18,431	14,970	33,401	44,837
2002	222,249		1,798	4,297	216,079	86,944	38,441	19,504	57,945	88,270
2003	421,936		18,823	10,226	428,968	230,821	86,944	36,651	123,595	129,135
TOTAL	1,165,195		23,418	26,804	1,124,749	444,372	230,821	51,540	282,361	198,147
PRIOR YEARS					37,060				220,211	680,377
2004		29,975,823	251,190	105,703		29,416,337		126,086	29,542,423	704,973
TOTAL	\$ 1,165,195	\$ 29,975,823	\$ 274,608	\$ 132,507	\$ 37,060	\$ 29,860,709	\$ 346,297	\$ 30,207,006	\$ 1,385,350	

Property taxes considered available:

June 30, 2005 (141,872)

June 30, 2006 112,046

Total property tax revenues \$ 30,177,180

SCHEDULE 4

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF UNCOLLECTED SEWER BENEFIT ASSESSMENTS
PHASE I
FOR THE YEAR ENDED JUNE 30, 2006

YEAR	UNCOLLECTED ASSESSMENTS JULY 1,	COLLECTIONS					UNCOLLECTED ASSESSMENTS JUNE 30,	YEAR
		DEDUCTIONS	ADJUSTED COLLECTIBLE ASSESSMENTS	INTEREST	LATE CHARGES	LIEN FEES		
1996	\$ 1,577	\$	\$ 1,577	\$ 413	\$ 197	\$ 19	\$ 1,819	1997
1997	387		387					1998
1998	387		387					1999
1999	387		387					2000
2000	387		387					2001
2001	387		387					2002
2002	387		387					2003
2003	387		387					2004
2004	387		387					2005
2005	387		387					2006

SCHEDULE OF UNCOLLECTED SEWER BENEFIT ASSESSMENTS
PHASE II
FOR THE YEAR ENDED JUNE 30, 2006

YEAR	UNCOLLECTED ASSESSMENTS JULY 1,	COLLECTIONS					UNCOLLECTED ASSESSMENTS JUNE 30,	YEAR			
		ADDITIONS	DEDUCTIONS	ADJUSTED COLLECTIBLE ASSESSMENTS	INTEREST	LATE CHARGES			LIEN FEES	TOTAL	
1996	\$ 5,687,156	\$ 3,560	\$	\$ 5,690,716	\$ 490,067	\$ 334,528	\$ 54,601	\$ 2,448	\$ 881,644	\$ 5,200,649	1997
1997	5,200,649	3,066		5,203,715	513,306	347,423	147,044	2,300	1,010,073	4,690,409	1998
1998	4,690,409	3,246		4,693,655	520,070	274,726	63,294	1,818	859,908	4,173,585	1999
1999	4,173,585	146		4,173,731	463,091	258,022	72,104	1,490	794,707	3,710,640	2000
2000	3,710,640	317	5,411	3,705,546	430,810	219,099	44,060	1,596	695,565	3,274,736	2001
2001	3,274,736	61	1,424	3,273,373	422,036	256,799		2,064	680,899	2,851,337	2002
2002	2,851,337		4,108	2,847,229	466,519	228,024	67,161	2,581	764,285	2,380,710	2003
2003	2,380,710	65	3,584	2,377,191	323,598	136,531	28,087	1,163	489,379	2,053,593	2004
2004	2,053,593	218		2,053,811	299,662	123,094	14,331	1,265	438,352	1,754,149	2005
2005	1,754,149	24	46,244	1,707,929	367,903	158,105	65,881	1,646	593,535	1,340,026	2006

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF UNCOLLECTED SEWER BENEFIT ASSESSMENTS
PHASE IIA
FOR THE YEAR ENDED JUNE 30, 2006

YEAR	UNCOLLECTED ASSESSMENTS JULY 1,	CURRENT ASSESSMENTS	ADDITIONS	ADJUSTED COLLECTIBLE ASSESSMENTS	INTEREST	LATE CHARGES	LIEN FEES	TOTAL	UNCOLLECTED ASSESSMENTS JUNE 30,	YEAR
1996	\$ 359,586	\$	\$	\$ 359,586	\$ 21,467	\$ 1,218	\$ 120	\$ 58,265	\$ 324,126	1997
1997	324,126		52	324,178	16,935	880	24	53,563	288,454	1998
1998	288,454			288,454	14,793	340		52,053	251,534	1999
1999	251,534			251,534	18,565	3,443	336	54,734	219,144	2000
2000	219,144			219,144	11,655	856		28,116	203,539	2001
2001	203,539			203,539	15,040		168	37,901	180,846	2002
2002	180,846			180,846	10,168	1,086		32,003	160,097	2003
2003	160,097			160,097	10,526	1,201	144	34,711	137,257	2004
2004	137,257			137,257	7,629	381	120	25,222	120,165	2005
2005	120,165		1	120,166	11,136	9,972	96	45,161	96,209	2006

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF UNCOLLECTED WATER BENEFIT ASSESSMENTS
FOR THE YEAR ENDED JUNE 30, 2006

YEAR	UNCOLLECTED ASSESSMENTS JULY 1,	COLLECTIONS						UNCOLLECTED ASSESSMENTS JUNE 30,	YEAR		
		ADDITIONS	DEDUCTIONS	ADJUSTED COLLECTIBLE ASSESSMENTS	INTEREST	LATE CHARGES	LIEN FEES			TOTAL	
1996	\$ 295,026	\$	\$	\$ 295,026	\$ 33,426	\$ 11,911	\$ 7,373	\$ 168	\$ 52,878	\$ 261,600	1997
1997	261,600	490		262,090	26,272	16,101	5,814	264	48,451	235,818	1998
1998	235,818			235,818	29,216	14,815	10,185	336	54,552	206,602	1999
1999	206,602			206,602	23,974	7,675	7,227	192	39,068	182,628	2000
2000	182,628		106	182,522	27,692	6,589	4,000	360	38,641	154,830	2001
2001	154,830			154,830	25,828	25,407		144	51,379	129,002	2002
2002	129,002			129,002	77,303	30,259	21,898	383	129,843	51,699	2003
2003	51,699			51,699	16,625	2,414	3,666	169	22,874	35,074	2004
2004	35,074		8,261	26,813	1,388	422	508	168	2,486	25,425	2005
2005	25,425		3	25,428	22,489	18,942	12,503	96	54,030	2,939	2006

SCHEDULE OF UNCOLLECTED WATER BENEFIT ASSESSMENTS
PHASE IV
FOR THE YEAR ENDED JUNE 30, 2006

YEAR	UNCOLLECTED ASSESSMENTS JULY 1,	COLLECTIONS						UNCOLLECTED ASSESSMENTS JUNE 30,	YEAR		
		CURRENT ASSESSMENTS	ADJUSTED COLLECTIBLE ASSESSMENTS	INTEREST	LATE CHARGES	LIEN FEES	TOTAL				
1997	\$ 220,684	\$	\$ 13,889	\$ 8,919	\$ 86	\$	\$ 22,894	\$ 206,795	1998		
1998	206,795		206,795	16,290	7,905	170	24,365	190,505	1999		
1999	190,505		190,505	16,522	9,524	878	154	27,078	173,983	2000	
2000	173,983		173,983	19,864	9,488	892	62	30,306	154,119	2001	
2001	154,119		154,119	15,255	7,424		96	22,775	138,864	2002	
2002	138,864		138,864	18,057	5,718	57		23,832	120,807	2003	
2003	120,807		120,807	11,026	4,431	231	24	15,712	109,781	2004	
2004	109,781		109,781	12,041	4,431	333	72	16,877	97,740	2005	
2005	97,740		(14,521)	83,219	26,527	8,226	5,034	240	40,027	56,692	2006

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Town Aid Road Fund - is used to account for Connecticut Department of Transportation grants relating to improvement to local roads.

Hot Lunch Program Fund - is used to account for operations of the school lunch program, including the receipt and expenditure of related federal and state funding.

Special Education Grant Fund - is used to account for U.S. Department of Education and Connecticut Department of Education grants, as well as local grants relating to education.

Social Services Fund - is used to account for grants and local contributions relating to Social Services.

Youth Service Bureau Fund - is used to account for grants and local contributions related to the youth service bureau.

Black Ash Swamp Road - is used to account for local contributions for improvements to Black Ash Swamp Road.

Learn Not to Burn - educational fund is used to account for monies donated for fire prevention education.

Town Historic Preservation - is used to account for land record receipts earmarked for preservation of Town documents.

Student Fund - is used to account for revenue and expenditures associated with various educational purposes.

Open Space Recreation Fund - is used to account for monies contributed by private developers in lieu of their open space statutory requirement.

Police Donations - is used to account for monies received through the drug forfeiture program and private contributions and associated expenditures for educational and enforcement programs.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Nonrecurring Fund - is used to account for revenue and expenditures associated with nonrecurring capital items.

Palmertown Water - is used to account for grant receipts and expenditures related to the installation of a water line in the Palmertown section.

Carryforward Fund - is used to account for miscellaneous construction and renovation projects approved by Town Council not accounted for in other capital projects funds.

TOWN OF MONTVILLE, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	SPECIAL REVENUE									
	TOWN AID ROAD FUND	HOT LUNCH PROGRAM FUND	SPECIAL EDUCATION GRANT FUND	SOCIAL SERVICES FUND	YOUTH SERVICE BUREAU FUND	BLACK ASH SWAMP ROAD	LEARN NOT TO BURN	TOWN HISTORIC PRESERVATION		
ASSETS										
Cash.....	\$	\$ 157,217	\$ 10,537	\$	\$	\$ 41,031	\$	\$		
Receivables:										
Intergovernmental.....		36,406	99							
Other.....		6,800	3,012	53,878	9,989		459	6,859		
Due from other funds.....	55,070									
Other.....		20,860								
TOTAL ASSETS	\$ 55,070	\$ 221,283	\$ 13,648	\$ 53,878	\$ 9,989	\$ 41,031	\$ 459	\$ 6,859		
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts payable.....	\$	\$	\$ 372	\$ 2,434	\$ 922	\$	\$	\$	\$	750
Due to other funds.....										
Unearned revenue.....			12,158							
TOTAL LIABILITIES	-	-	12,530	2,434	922	-	-	-	-	750
FUND BALANCES:										
Unreserved and undesignated.....	55,070	221,283	1,118	51,444	9,067	41,031	459	6,109		
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,070	\$ 221,283	\$ 13,648	\$ 53,878	\$ 9,989	\$ 41,031	\$ 459	\$ 6,859		

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING BALANCE SHEET (CONCLUDED)
NONMAJOR GOVERNMENTAL FUNDS

	SPECIAL REVENUE				CAPITAL PROJECTS				TOTAL NONMAJOR FUNDS
	STUDENT FUND	OPEN SPACE RECR. FUND	POLICE DONATIONS	TOTAL	CAPITAL NONRECURRING FUND	PALMERTOWN WATER	CARRY- FORWARD FUND	TOTAL	
<u>ASSETS</u>									
Cash.....	\$ 180,857	\$	\$	\$ 389,642	\$	\$	\$	\$	\$ 389,642
Investments.....				-	315,503				315,503
Receivables:									
Intergovernmental.....				36,406	45,203	89,168		134,371	170,777
Other.....				6,899					6,899
Due from other funds.....		5,000	3,615	137,882	1,828	741,793		743,621	881,503
Other.....				20,860					20,860
TOTAL ASSETS.....	\$ 180,857	\$ 5,000	\$ 3,615	\$ 591,689	\$ 362,534	\$ 89,168	\$ 741,793	\$ 1,193,495	\$ 1,785,184
<u>LIABILITIES AND FUND BALANCES</u>									
LIABILITIES:									
Accounts payable.....	\$	\$	\$	4,478	\$ 38,771	\$ 300,377	\$	\$ 339,148	\$ 343,626
Due to other funds.....						9,590		9,590	9,590
Unearned revenue.....				12,158					12,158
TOTAL LIABILITIES.....	-	-	-	16,636	38,771	309,967	-	348,738	365,374
FUND BALANCES:									
Unreserved and undesignated.....	180,857	5,000	3,615	575,053	323,763	(220,799)	741,793	844,757	1,419,810
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 180,857	\$ 5,000	\$ 3,615	\$ 591,689	\$ 362,534	\$ 89,168	\$ 741,793	\$ 1,193,495	\$ 1,785,184

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE							
	TOWN AID ROAD FUND	HOT LUNCH PROGRAM FUND	SPECIAL EDUCATION GRANT FUND	SOCIAL SERVICES FUND	YOUTH SERVICE BUREAU FUND	BLACK ASH SWAMP ROAD	LEARN NOT TO BURN	TOWN HISTORIC PRESERVATION
REVENUES:								
Intergovernmental.....	\$ 155,740	\$ 259,191	\$ 1,138,838	\$	\$	\$	\$	\$
Charges for services.....		613,607	64,540	52,025	14,274			9,035
Contributions.....							550	
Interest income.....		3,463				845		
TOTAL REVENUES.....	155,740	876,261	1,203,378	52,025	14,274	845	550	9,035
EXPENDITURES:								
Current:								
General government.....				57,664	14,531		425	17,615
Public works.....	137,894							
Education.....		871,804	1,203,378					
TOTAL EXPENDITURES.....	137,894	871,804	1,203,378	57,664	14,531	-	425	17,615
NET CHANGE IN FUND BALANCES.....	17,846	4,457	-	(5,639)	(257)	845	125	(8,580)
FUND BALANCES - JULY 1, 2005.....	37,224	216,826	1,118	57,083	9,324	40,186	334	14,689
FUND BALANCES - JUNE 30, 2006.....	\$ 55,070	\$ 221,283	\$ 1,118	\$ 51,444	\$ 9,067	\$ 41,031	\$ 459	\$ 6,109

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONCLUDED)
NONMAJOR GOVERNMENTAL FUNDS

	SPECIAL REVENUE				CAPITAL PROJECTS				TOTAL NONMAJOR FUNDS
	STUDENT FUND	OPEN SPACE RECR.FUND	POLICE DONATIONS	TOTAL	CAPITAL NONRECURRING FUND	PALMERTOWN WATER	CARRY- FORWARD FUND	TOTAL	
REVENUES:									
Intergovernmental.....	\$	\$	\$	\$ 1,553,769	\$ 450,454	\$ 259,508	\$	\$ 709,962	\$ 2,263,731
Charges for services.....				753,481	13,405			13,405	766,886
Contributions.....			100	650	115,000			115,000	115,650
Interest income.....	3,842			8,150	11,368			11,368	19,518
TOTAL REVENUES.....	3,842	-	100	2,316,050	590,227	259,508	-	849,735	3,165,785
EXPENDITURES:									
Current:									
General government.....				90,235	228,638		8,515	237,153	327,388
Public safety.....			478	478			25,490	25,490	25,968
Public works.....				137,894	533,445	378,080	4,856	916,381	1,054,275
Education.....	4,380			2,079,562					2,079,562
TOTAL EXPENDITURES.....	4,380	-	478	2,308,169	762,083	378,080	38,861	1,179,024	3,487,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(538)	-	(378)	7,881	(171,856)	(118,572)	(38,861)	(329,289)	(321,408)
OTHER FINANCING SOURCES:									
Transfers in.....					52,500		207,060	259,560	259,560
NET CHANGE IN FUND BALANCES.....	(538)		(378)	7,881	(119,356)	(118,572)	168,199	(69,729)	(61,848)
FUND BALANCES - JULY 1, 2005.....	181,395	5,000	3,993	567,172	443,119	(102,227)	573,594	914,486	1,481,658
FUND BALANCES - JUNE 30, 2006.....	\$ 180,857	\$ 5,000	\$ 3,615	\$ 575,053	\$ 323,763	\$ (220,799)	\$ 741,793	\$ 844,757	\$ 1,419,810

(Concluded)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Student Activity Fund - is used to receive student funds and promote the educational and student activities of students.

Performance Bonds - is used to account for performance bonds held by the Town until such time the bonds are released.

TOWN OF MONTVILLE, CONNECTICUT

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSET AND LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>ASSET</u>				
CASH:				
Student activity fund.....	\$ 273,867	\$ 598,851	\$ 631,476	\$ 241,242
Performance bonds.....	399,467	145,323	169,175	375,615
TOTAL ASSET.....	<u>\$ 673,334</u>	<u>\$ 744,174</u>	<u>\$ 800,651</u>	<u>\$ 616,857</u>
<u>LIABILITY</u>				
ACCOUNTS PAYABLE:				
Student activity fund.....	\$ 273,867	\$ 598,851	\$ 631,476	\$ 241,242
Performance bonds.....	399,467	145,323	169,175	375,615
TOTAL LIABILITY.....	<u>\$ 673,334</u>	<u>\$ 744,174</u>	<u>\$ 800,651</u>	<u>\$ 616,857</u>

*Capital Assets Used in the Operation of
Governmental Funds*

Capital assets used in governmental fund type operations are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their market value on the date donated.

TOWN OF MONTVILLE, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2006 AND 2005**

	2006	2005 (AS RESTATED)
CAPITAL ASSETS:		
Land.....	\$ 1,022,518	\$ 960,468
Construction in progress.....	12,645,752	6,344,087
Land improvements.....	952,055	931,355
Buildings and improvements.....	30,131,988	30,124,263
Machinery and equipment.....	9,300,910	9,048,042
Infrastructure.....	15,593,015	15,593,015
TOTAL.....	\$ 69,646,238	\$ 63,001,230
INVESTMENT IN CAPITAL ASSETS BY SOURCE:		
General fund.....	\$ 21,614,345	\$ 21,271,001
Capital projects funds.....	46,206,668	39,905,004
Contributions.....	1,825,225	1,825,225
TOTAL.....	\$ 69,646,238	\$ 63,001,230

TOWN OF MONTVILLE, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2006

	LAND	CONSTRUCTION IN PROGRESS	LAND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	TOTAL
GENERAL GOVERNMENT:							
Real estate not allocated to specific function.....	\$ 363,959	\$ -	\$ -	\$ 3,917,078	\$ 37,500	\$ -	\$ 4,281,037
Town council.....					99,341		37,500
Finance.....							99,341
TOTAL GENERAL GOVERNMENT.....	363,959	-	-	3,917,078	136,841	-	4,417,878
PUBLIC SAFETY:							
Police.....					664,301		664,301
Animal control.....				8,042	15,994		24,036
Building.....					45,082		45,082
Fire and dispatch.....	34,050				3,416,797		3,450,847
TOTAL PUBLIC SAFETY.....	34,050	-	-	8,042	4,142,174	-	4,184,266
PUBLIC WORKS:							
Public works.....	74,000		15,000	432,272	2,267,534	15,593,015	18,381,821
Transfer/Recycling.....	314,088		15,000		55,500		384,588
TOTAL PUBLIC WORKS.....	388,088	-	30,000	432,272	2,323,034	15,593,015	18,766,409
HUMAN SERVICES:							
Human services.....	12,600		5,700	1,549,881	135,051		1,703,232
RECREATION:							
Recreation.....	160,560		916,355	1,440,647	145,579		2,663,141
LAND USE:							
Land use.....					36,657		36,657
EDUCATION:							
Education.....	63,261	12,645,752		22,784,068	2,381,574		37,874,655
TOTAL.....	\$ 1,022,518	\$ 12,645,752	\$ 952,055	\$ 30,131,988	\$ 9,300,910	\$ 15,593,015	\$ 69,646,238

TOWN OF MONTVILLE, CONNECTICUT

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2006**

	BALANCE JULY 1, 2005 (AS RESTATED)	ADDITIONS	DEPARTMENTAL TRANSFERS	DELETIONS	BALANCE JUNE 30, 2006
GENERAL GOVERNMENT:					
Real estate not allocated to specific function.....	\$ 4,218,987	\$ 110,100	\$	\$ 48,050	\$ 4,281,037
Town council.....	37,500				37,500
Mayor, Finance and Information Technology.....	66,097	26,435	21,700	14,891	99,341
TOTAL GENERAL GOVERNMENT.....	4,322,584	136,535	21,700	62,941	4,417,878
PUBLIC SAFETY:					
Police.....	604,767	86,362		26,828	664,301
Animal control.....	24,036				24,036
Building.....	28,072	17,010			45,082
Fire and dispatch.....	3,397,315	75,232	(21,700)		3,450,847
TOTAL PUBLIC SAFETY.....	4,054,190	178,604	(21,700)	26,828	4,184,266
PUBLIC WORKS:					
Public works.....	18,265,817	123,204		7,200	18,381,821
Transfer/Recycling.....	384,588				384,588
TOTAL PUBLIC WORKS.....	18,650,405	123,204		7,200	18,766,409
HUMAN SERVICES.....	1,697,532	5,700			1,703,232
RECREATION.....	2,663,141				2,663,141
LAND USE.....	19,647	17,010			36,657
EDUCATION.....	31,593,731	6,469,924		189,000	37,874,655
TOTAL.....	\$ 63,001,230	\$ 6,930,977	\$ -	\$ 285,969	\$ 69,646,238

Statistical Section

TABLE 1

TOWN OF MONTVILLE, CONNECTICUT

**NET ASSETS BY COMPONENT
LAST FOUR YEARS
(UNAUDITED)**

	FISCAL YEAR			
	2006	2005	2004	2003
Governmental activities:				
Invested in capital assets, net of related debt.....	\$ 26,910,256	\$ 10,845,840	\$ 12,526,833	\$ 1,326,996
Restricted.....	2,087,650	3,688,455	1,253,584	1,127,220
Unrestricted.....	13,878,311	9,467,293	7,325,563	18,526,355
Total Governmental activities net assets.....	42,876,217	24,001,588	21,105,980	20,980,571
Business-type activities:				
Invested in capital assets, net of related debt.....	53,040,139	42,424,306	43,486,280	44,608,852
Unrestricted.....	(298,857)	(437,785)	(481,210)	(146,127)
Total Business-type activities net assets.....	52,741,282	41,986,521	43,005,070	44,462,725
Total Net Assets:				
Invested in capital assets, net of related debt.....	79,950,395	53,270,146	56,013,113	45,935,848
Restricted.....	2,087,650	3,688,455	1,253,584	1,127,220
Unrestricted.....	13,579,454	9,029,508	6,844,353	18,380,228
Total Net Assets.....	\$ 95,617,499	\$ 65,988,109	\$ 64,111,050	\$ 65,443,296

TABLE 2
(1 of 2)

TOWN OF MONTVILLE, CONNECTICUT

CHANGES IN NET ASSETS
LAST FOUR YEARS
(UNAUDITED)

	FISCAL YEAR			
	2006	2005	2004	2003
Expenses:				
Governmental activities:				
General government.....	\$ 3,931,911	\$ 3,724,022	\$ 5,509,757	\$ 4,990,925
Public safety.....	4,287,478	3,751,428	2,771,616	2,740,787
Public works.....	5,672,769	4,821,315	3,880,916	3,449,279
Health and welfare.....	295,725	264,921	133,733	122,771
Social services.....	76,864	44,650	53,011	17,860
Recreation.....	441,864	559,378	320,877	173,568
Miscellaneous.....	71,222	65,299	69,126	72,946
Education.....	34,311,294	32,208,273	33,346,626	33,924,516
Interest expense.....	1,232,926	1,389,632	978,905	1,092,241
Total Governmental activities expenses.....	50,322,053	46,828,918	47,064,567	46,584,893
Business-type activities:				
Sewer department.....	5,026,168	5,356,111	5,132,337	4,997,377
Water department.....	219,455	137,784	159,534	178,148
Total Business-type activities expenses.....	5,245,623	5,493,895	5,291,871	5,175,525
Total expenses.....	55,567,676	52,322,813	52,356,438	51,760,418
Program Revenues:				
Governmental activities:				
Charges for services:				
General government.....	1,420,573	1,450,575	1,405,573	1,183,232
Public safety.....	400,064	145,725	102,720	70,848
Public works.....	468,851	295,907	515,602	471,394
Health and welfare.....	97,459	81,608	38,840	37,139
Social services.....	37,923		28,481	45,990
Recreation.....	66,465	75,835	62,173	63,328
Miscellaneous.....	41,908	89,720	29,769	8,579
Education.....	1,161,216	1,065,762	1,326,441	3,521,631
Operating grants and contributions.....	15,273,934	13,782,107	13,311,498	13,457,437
Capital grants and contributions.....	5,000,889	2,363,050	268,204	740,728
Total governmental activities program revenues.....	23,969,282	19,350,289	17,089,301	19,600,306

(Continued)

TABLE 2
(2 of 2)

TOWN OF MONTVILLE, CONNECTICUT

CHANGES IN NET ASSETS
LAST FOUR YEARS
(UNAUDITED)

	FISCAL YEAR			
	2006	2005	2004	2003
Business-type activities:				
Charges for services:				
Sewer department.....	\$ 4,245,876	\$ 4,376,948	\$ 3,818,694	\$ 4,221,815
Water department.....	218,981	90,139	8,580	199,612
Capital grants and contributions:				
Water department.....	480,084			
Total business-type activities program revenues.....	4,944,941	4,467,087	3,827,274	4,421,427
Total Program revenues.....	28,914,223	23,817,376	20,916,575	24,021,733
Net (Expense)/Revenue:				
Governmental activities.....	(26,352,771)	(27,478,629)	(29,975,266)	(26,984,587)
Business-type activities.....	(300,682)	(1,026,808)	(1,464,597)	(754,098)
Total Net Expense.....	(26,653,453)	(28,505,437)	(31,439,863)	(27,738,685)
General Revenues and Other Changes in Net Assets:				
Governmental activities:				
Property taxes.....	30,123,573	28,276,739	27,493,304	24,538,801
Grants and contributions not restricted to specific programs.....	3,473,395	2,802,448	2,480,305	2,881,357
Investment income.....	1,538,779	994,245	127,066	194,227
Total Governmental activities.....	35,135,747	32,073,432	30,100,675	27,614,385
Business-type activities:				
Investment income.....	13,165	8,259	6,942	7,511
Total General Revenues and Other Changes in Net Assets.....	35,148,912	32,081,691	30,107,617	27,621,896
Change in Net Assets:				
Governmental activities.....	8,782,976	4,594,803	125,409	629,798
Business-type activities.....	(287,517)	(1,018,549)	(1,457,655)	(746,587)
Total Change in Net Assets.....	\$ 8,495,459	\$ 3,576,254	\$ (1,332,246)	\$ (116,789)

(Concluded)

TABLE 3

TOWN OF MONTEVILLE, CONNECTICUT

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	FISCAL YEAR ENDED JUNE 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
GENERAL FUND:										
Reserved.....	\$ 2,974,190	\$ 3,499,195	\$ 2,453,584	\$ 1,127,220	\$ 1,221,175	\$ 1,111,067	\$ 1,570,671	\$ 1,293,364	\$ 1,176,875	\$ 1,197,684
Unreserved:										
Designated.....	245,000				1,200,000	900,000	730,000	720,000	300,000	810,000
Undesignated.....	6,049,413	3,505,546	2,613,647	3,069,628	2,929,911	3,700,986	3,235,329	2,917,166	2,722,731	2,018,600
Total unreserved.....	6,294,413	3,505,546	2,613,647	3,069,628	4,129,911	4,600,986	3,965,329	3,637,166	3,022,731	2,828,600
TOTAL GENERAL FUND.....	9,268,603	7,004,741	5,067,231	4,196,848	5,351,086	5,712,053	5,536,000	4,930,530	4,199,606	4,026,284
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved.....	313,460	3,688,455					21,230	15,594	15,305	22,167
Unreserved reported in:										
Special Revenue funds.....	575,053	567,172	919,302	904,787	810,542	1,241,854	798,334	775,120	626,232	739,966
Capital funds.....	3,737,877	2,026,627	543,129	1,793,558	2,112,200	(1,363,412)	887,203	983,845	(1,933,452)	(1,899,871)
TOTAL ALL OTHER GOVERNMENTAL FUNDS.....	4,626,390	6,282,254	1,462,431	2,698,345	2,922,742	(121,558)	1,706,767	1,774,559	(1,291,915)	(1,137,738)
GRAND TOTAL.....	\$ 13,894,993	\$ 13,286,995	\$ 6,529,662	\$ 6,895,193	\$ 8,273,828	\$ 5,590,495	\$ 7,242,767	\$ 6,705,089	\$ 2,907,691	\$ 2,888,546

TABLE 4

TOWN OF MONTVILLE, CONNECTICUT

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN YEARS
(UNAUDITED)

FISCAL YEAR ENDED JUNE 30

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
REVENUES:										
Property taxes.....	\$ 30,289,355	\$ 29,025,276	\$ 27,576,661	\$ 24,221,574	\$ 22,619,072	\$ 21,449,011	\$ 20,131,199	\$ 19,425,433	\$ 18,245,694	\$ 19,494,955
Intergovernmental.....	22,727,358	17,346,667	16,817,321	17,445,576	17,459,212	16,989,643	16,545,502	16,881,684	16,575,310	13,874,879
Charges for services.....	5,401,296	4,732,258	3,147,840	5,131,594	3,043,819	3,532,756	3,506,077	4,101,872	2,981,745	2,877,344
Contributions.....	115,650	1,950								
Investment income.....	1,532,808	896,392	898,258	1,171,972	1,208,941	1,639,080	1,597,242	1,717,645	1,636,523	520,988
TOTAL REVENUES.....	60,066,467	52,002,543	48,440,080	47,970,716	44,331,044	43,610,490	41,780,020	42,126,634	39,439,272	36,768,166
EXPENDITURES:										
Current:										
General government.....	6,303,605	5,514,052	5,402,141	4,223,379	3,711,951	3,841,231	3,397,995	3,077,493	3,101,633	3,165,322
Public safety.....	2,912,707	2,748,724	2,581,569	2,544,684	2,427,308	2,318,611	2,234,349	2,060,522	1,826,600	1,634,695
Public works.....	4,436,640	3,959,632	3,034,933	3,160,361	3,194,438	3,088,219	2,778,086	2,812,840	2,578,939	2,453,341
Health and social services.....	201,786	160,285	161,720	138,646	119,137	126,653	175,072	189,090	237,138	264,466
Recreation.....	241,723	246,132	223,948	222,799	211,164	191,894	196,891	188,967	176,896	172,236
Miscellaneous.....	71,222	65,299	69,126	72,946	73,257	75,048	65,787	59,845	58,426	57,719
Education.....	35,201,495	33,010,877	32,086,522	31,656,716	30,365,935	29,482,908	27,678,257	26,770,140	25,580,879	23,191,853
Capital outlay.....	6,710,064	6,678,162	3,317,648	4,166,421	3,375,967	3,929,029	1,775,976	4,260,812	2,847,743	899,620
Debt service.....	3,379,227	2,932,047	2,892,956	3,163,399	2,860,195	2,846,615	3,019,128	3,121,696	3,265,900	3,450,522
TOTAL EXPENDITURES.....	59,458,469	55,315,210	49,772,563	49,349,351	46,339,352	45,900,208	41,321,541	42,541,405	39,674,154	35,289,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	607,998	(3,312,667)	(1,332,483)	(1,378,635)	(2,008,308)	(2,289,718)	458,479	(414,771)	(234,882)	1,478,392
OTHER FINANCING SOURCES (USES):										
Issuance of debt.....		10,070,000	966,952		4,691,641	218,809	83,800	4,000,000	262,499	
Transfers in.....	259,560	391,984	250,443	284,594	487,072	327,901	526,817	1,544,903	1,588,836	1,537,123
Transfers out.....	(259,560)	(391,984)	(250,443)	(284,594)	(487,072)	(327,901)	(526,817)	(1,504,903)	(1,588,836)	(1,537,123)
NET OTHER FINANCING SOURCES (USES).....	-	10,070,000	966,952	-	4,691,641	218,809	83,800	4,240,000	262,499	-
NET CHANGE IN FUND BALANCES.....	\$ 607,998	\$ 6,757,333	\$ (365,531)	\$ (1,378,635)	\$ 2,683,333	\$ (2,070,909)	\$ 542,279	\$ 3,825,229	\$ 27,617	\$ 1,478,392
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES.....	6.41%	6.03%	6.23%	7.00%	6.66%	6.78%	7.63%	8.15%	8.87%	10.03%

TABLE 5

TOWN OF MONTVILLE, CONNECTICUT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	REAL ESTATE				PERSONAL PROPERTY				TOTALS		
	(1) (4) ASSESSED VALUE	(2) ESTIMATED VALUE	(1) MOTOR VEHICLE ASSESSED VALUE	(1) PERSONAL PROPERTY ASSESSED VALUE	TOTAL MOTOR VEHICLE AND PERSONAL PROPERTY ASSESSED VALUE	(3) TOTAL MOTOR VEHICLE AND PERSONAL PROPERTY ESTIMATED ACTUAL VALUE	(1) TOTAL ASSESSED VALUE	TOTAL ESTIMATED ACTUAL VALUE	(2) PERCENTAGE OF TOTAL ASSESSED VALUE TO TOTAL ESTIMATED ACTUAL VALUE	TOTAL DIRECT TAX RATE	
1997	\$ 523,146,841	\$ 755,322,775	\$ 68,896,429	\$ 134,581,559	\$ 203,477,988	\$ 355,995,717	\$ 726,624,829	\$ 1,111,318,492	65.38%	27.40	
1998	529,061,919	772,615,785	71,313,909	133,634,746	204,948,655	345,255,950	734,010,574	1,117,871,735	65.66%	27.85	
1999	536,715,860	769,222,259	72,482,061	135,535,913	208,017,974	343,870,590	744,733,834	1,113,092,849	66.91%	29.55	
2000	543,039,960	832,543,077	74,872,310	124,916,129	199,788,439	327,853,061	742,828,399	1,160,396,138	64.02%	28.95	
2001	556,264,700	862,757,166	84,453,775	149,503,965	233,957,740	346,691,101	790,222,440	1,209,448,267	65.34%	28.45	
2002	570,682,330	968,682,661	85,296,133	143,797,983	229,094,118	336,148,370	799,776,448	1,304,831,031	61.29%	27.70	
2003	734,694,300	1,052,734,257	88,431,311	139,084,565	227,515,876	337,172,821	962,210,176	1,389,907,078	69.23%	24.70	
2004	743,604,800	1,368,995,360	92,922,512	139,836,616	232,759,128	346,709,193	976,363,928	1,715,704,553	56.91%	27.37	
2005	759,125,910	1,573,441,308	93,086,867	139,543,245	232,630,112	344,226,751	991,756,022	1,917,668,059	51.72%	27.97	
2006	774,365,110	1,714,969,275	104,052,199	141,575,141	245,627,340	361,109,843	1,019,992,450	2,076,079,118	49.13%	29.10	

(1) Assessed values taken from the Board of Assessment Appeals corrected abstracts for the respective year.

(2) Ratios are predicated on the State of Connecticut Office of Policy and Management sales/assessment ratios.

(3) Personal property value based on a 70% assessment ratio.

TABLE 6

TOWN OF MONTVILLE, CONNECTICUT
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (UNAUDITED)

NAME	NATURE OF BUSINESS	GRAND LIST YEAR				PERCENTAGE NET TAXABLE GRAND LIST (2)
		2004		1995		
		ASSESSED VALUE	RANK	ASSESSED VALUE	RANK	
AES Thames LLC	Power generation	\$ 50,658,545	1	\$ 75,429,480	1	9.67%
Montville Power	Power generation	44,906,340	2			
Rand Whitney Containerboard	paper/paperboard	36,559,260	3	36,594,610	3	4.69%
Connecticut Light and Power Company	Utility	15,116,660	4	57,598,210	2	7.39%
MTIC Acquisitions	Real Estate	10,603,610	5			
Smurfit-Stone Container Enterprises	Paperboard products	10,463,890	6	7,994,160	4	1.03%
Jensen's Inc.	Active adult community	5,787,580	7			0.57%
Mohegan Tribal Gaming Authority	Gaming	5,730,030	8			0.56%
Burkhard Hotel Partners II LLC	Hotels	4,772,570	9			0.47%
Glen Meadows Limited Partnership	Apartment building	3,851,880	10	2,916,780	7	0.37%
E.R. & L Thames, Inc.	Pellitzier			5,533,070	5	0.71%
Yankee Gas Service	Gas supplier			3,662,640	6	0.47%
Hilcrest	Nursing Home			1,923,450	8	0.25%
Martin Realty	Apartments			1,910,960	9	0.25%
O & G Industries	Personal Property			1,723,870	10	0.22%
TOTAL		\$ 188,450,365		\$ 195,287,230		18.47%
						25.04%

Source: Town Assessor Department.

(1) Based on October 1, 2004 net taxable Grand List of \$1,020,278,666.

(2) Based on October 1, 1995 net taxable Grand List of \$779,821,667.

TABLE 7

TOWN OF MONTVILLE, CONNECTICUT

TAX RATES, LEVIES AND CASH COLLECTIONS
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	(1) MILL RATE	TOTAL ADJUSTED TAX LEVY	NET CURRENT TAX COLLECTIONS	PERCENTAGE OF CURRENT TAXES COLLECTED	NET DELINQUENT COLLECTIONS CURRENT YEAR	TOTAL NET TAXES COLLECTED ALL YEARS	PERCENTAGE OF TOTAL TAX COLLECTED TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	PERCENTAGE OF DELINQUENT TAXES TO TOTAL TAX LEVY
1997	26.40	\$ 19,292,697	\$ 18,701,309	96.93%	\$ 477,231	\$ 19,178,540	99.41%	\$ 1,622,294	8.41%
1998	25.10	18,586,517	17,478,623	94.04%	438,985	17,917,608	96.40%	2,268,631	12.21%
1999	26.00	19,372,942	18,452,769	95.25%	596,253	19,049,022	98.33%	2,276,883	11.75%
2000	26.50	19,596,866	18,970,461	96.80%	510,142	19,480,603	99.41%	1,832,121	9.35%
2001	26.90	21,262,681	20,771,715	97.69%	789,873	21,561,588	101.41%	1,512,265	7.11%
2002	27.70	22,466,957	21,938,790	97.65%	418,629	22,357,419	99.51%	1,570,232	6.99%
2003	24.70	23,976,933	23,549,694	98.22%	402,718	23,952,412	99.90%	1,559,207	6.50%
2004	27.37	27,068,565	26,616,011	98.33%	439,144	27,055,155	99.95%	1,549,573	5.72%
2005	27.97	28,312,849	27,890,913	98.51%	535,044	28,425,957	100.40%	1,165,195	4.12%
2006	29.10	30,121,310	29,416,337	97.66%	444,372	29,860,709	99.13%	1,385,350	4.60%

Source: Town audit reports.

(1) This represents the Town's mill rate per \$1,000 of taxable property. There are no overlapping tax rates.

TABLE 8

TOWN OF MONTVILLE, CONNECTICUT

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
(UNAUDITED)**

YEAR ENDED JUNE 30	GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			TOTAL	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL PURPOSE BONDS	SCHOOL BONDS	CAPITAL LEASES	TOTAL	SEWER GENERAL OBLIGATION BONDS					
1997	\$ 24,538,200	\$	\$ 93,684	\$ 24,631,884	\$ 2,665,000		\$ 27,296,884	N/A	\$ 1,653	
1998	22,774,395		289,527	23,063,922	2,490,000		25,553,922	N/A	1,491	
1999	21,065,590		234,819	21,300,409	6,315,000		27,615,409	N/A	1,611	
2000	19,361,785		244,493	19,606,278	5,940,000		25,546,278	N/A	1,547	
2001	17,737,980		361,246	18,099,226	5,565,000		23,664,226	N/A	1,276	
2002	20,611,175		292,584	20,903,759	5,190,000		26,093,759	N/A	1,407	
2003	10,685,000	5,640,000	113,876	16,438,876	4,815,000		21,253,876	N/A	1,146	
2004	9,755,000	5,010,000	1,008,615	15,773,615	4,430,000		20,203,615	N/A	1,089	
2005	10,822,760	14,380,000	837,416	26,040,176	4,040,000		30,080,176	N/A	1,526	
2006	9,638,955	13,750,000	709,304	24,098,259	3,655,000		27,753,259	N/A	1,398	

NOTE: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

N/A - Information not available

TABLE 9

TOWN OF MONTVILLE, CONNECTICUT

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS
(UNAUDITED)**

YEAR ENDED JUNE 30	GENERAL BONDED DEBT OUTSTANDING			TOTAL	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES				
1997	\$ 24,538,200	\$ 93,684	\$	24,631,884	2.22%	1,653
1998	22,774,395	289,527		23,063,922	2.06%	1,491
1999	21,065,590	234,819		21,300,409	1.91%	1,611
2000	19,361,785	244,493		19,606,278	1.69%	1,547
2001	17,737,980	361,246		18,099,226	1.50%	1,276
2002	20,611,175	292,584		20,903,759	1.60%	1,407
2003	16,325,000	113,876		16,438,876	1.18%	1,146
2004	14,765,000	1,008,615		15,773,615	0.92%	1,089
2005	25,202,760	837,416		26,040,176	1.36%	1,526
2006	23,388,955	709,304		24,098,259	1.16%	1,398

NOTE: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2006
(UNAUDITED)

TOTAL TAX COLLECTIONS (including interest and lien fees) - BASE FOR DEBT LIMITATION COMPUTATION..... \$ 30,207,006

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
DEBT LIMITATION:					
2 1/4 times base.....	\$ 67,965,764	\$	\$	\$	\$
4 1/2 times base.....		135,931,527			
3 3/4 times base.....			113,276,273		
3 1/4 times base.....				98,172,770	
3 times base.....					90,621,018
TOTAL DEBT LIMITATION.....	<u>67,965,764</u>	<u>135,931,527</u>	<u>113,276,273</u>	<u>98,172,770</u>	<u>90,621,018</u>
INDEBTEDNESS:					
Bonds payable.....	7,905,000	13,750,000	1,660,000		
Less amount to be provided by the State.....		(2,790,275)			
Less sewer assessments receivable.....			(1,660,000)		
TOTAL INDEBTEDNESS.....	<u>7,905,000</u>	<u>10,959,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT.....	<u>\$ 60,060,764</u>	<u>\$ 124,971,802</u>	<u>\$ 113,276,273</u>	<u>\$ 98,172,770</u>	<u>\$ 90,621,018</u>

NOTES: (1) The total of the above indebtedness amounts to: \$ 18,864,725

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 211,449,042

(2) There is no overlapping debt for the Town of Montville.

(3) Currently, outstanding bonded debt for water of \$73,955 and outstanding bonded debt for sewer of \$3,655,000 are excluded from the debt limitation schedule, in accordance with the General Statutes of Connecticut.

TABLE 11**TOWN OF MONTVILLE, CONNECTICUT****LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS**

YEAR ENDED JUNE 30	DEBT LIMIT	NET DEBT APPLICABLE TO LIMIT	LEGAL DEBT MARGIN	TOTAL NET DEBT APPLICABLE
1997	\$ 269,430,412	\$ 28,525,000	\$ 240,905,412	10.59%
1998	252,151,764	25,305,000	226,846,764	10.04%
1999	268,473,302	23,015,000	245,458,302	8.57%
2000	278,209,609	21,280,000	256,929,609	7.65%
2001	359,343,646	14,151,451	345,192,195	3.94%
2002	379,404,317	14,077,240	365,327,077	3.71%
2003	405,557,684	14,270,853	391,286,831	3.52%
2004	458,942,279	10,902,543	448,039,736	2.38%
2005	483,180,751	19,887,451	463,293,300	4.12%
2006	505,967,352	18,864,725	487,102,627	3.73%

TABLE 12

TOWN OF MONTVILLE, CONNECTICUT

DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(UNAUDITED)

YEAR ENDED JUNE 30	(1) POPULATION	PERSONAL INCOME	(2) PER CAPITA INCOME	(2) MEDIAN AGE	EDUCATION LEVEL IN YEARS OF SCHOOLING	(3) SCHOOL ENROLLMENT	(4) UNEMPLOYMENT PERCENTAGE
1997	16,518	N/A	\$ 15,743	32.8	N/A	2,861	6.40%
1998	17,139	N/A	15,743	32.8	N/A	2,875	5.90%
1999	17,139	N/A	15,743	32.8	N/A	2,905	3.70%
2000	16,515	N/A	22,357	36.5	N/A	2,946	3.30%
2001	18,546	N/A	22,357	36.5	N/A	2,977	2.10%
2002	18,546	N/A	22,357	36.5	N/A	2,931	2.30%
2003	18,546	N/A	22,357	36.5	N/A	2,922	3.90%
2004	18,546	N/A	22,357	36.5	N/A	2,934	4.70%
2005	19,718	N/A	22,357	36.5	N/A	2,917	4.20%
2006	19,846	N/A	22,357	36.5	N/A	2,978	4.30%

(1) CT Dept. of Health

(2) PER CAPITA INCOME AND MEDIAN AGE - Figures obtained from the State of Connecticut Census Data Center, U.S. Census Bureau and the Housatonic Council of Elected Officials.

(3) SCHOOL ENROLLMENT - Montville Board of Education.

(4) CONNECTICUT LABOR DEPARTMENT - Research and Statistics.

N/A - Information not available

TABLE 13

TOWN OF MONTVILLE, CONNECTICUT

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

EMPLOYER	2006			1997		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Town of Montville	736	1	6.75%	517	1	6.05%
Corrigan Correctional	432	2	3.96%			N/A
Faria Corporation	300	3	2.75%	205	2	2.40%
Hillcrest Montville LLC /Orchard Groves	140	4	1.28%			N/A
Stone Container Corporation	85	5	0.78%	101	3	1.18%
Rand Whitney Group	75	6	0.69%	133	4	1.56%
D. W. Transportation	66	7	0.61%			N/A
AES Thames Inc.	57	8	0.52%	72	5	0.84%
Montville Power LLC	52	9	0.48%	N/A	6	N/A
Pepsi-Co Bottlers	35	10	0.32%	35	7	0.41%
TOTAL.....	<u>1,978</u>		<u>18%</u>	<u>1,063</u>		<u>12.44%</u>

SOURCES - Town of Montville survey

TABLE 14

TOWN OF MONTVILLE, CONNECTICUT

**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS
(UNAUDITED)**

FUNCTION / PROGRAM	FULL -TIME EQUIVALENT EMPLOYEES AS OF JUNE 30					
	2006	2005	2004	2003	2002	2002
GENERAL GOVERNMENT:						
Mayor	3	3	3	3	3	3
Finance.....	9	9	9	9	9	9
Planning.....	4	4	4	4	4	4
Parks and recreation.....	5	5	5	5	5	5
Town Clerk.....	2	2	2	2	2	2
Senior & Social Services.....	3	2	2	2	2	2
Building	4	3	3	3	3	3
Other.....	6	6	5	5	4	4
POLICE:						
Officers.....	21	21	21	21	21	21
Animal Control	2	2	2	2	2	2
Civilians.....	1	1	1	1	1	1
FIRE:						
Firefighters and officers.....	11	11	11	11	11	11
Civilians.....	4	4	4	4	4	4
PUBLIC WORKS:						
Engineering.....						
Highway.....	24	24	24	24	24	24
Building maintenance.....	4	4	4	4	4	4
Transfer station.....	4	4	4	4	4	4
BOARD OF EDUCATION.....	616	613	610	606	603	603
SEWER DEPARTMENT.....	13	13	13	13	13	13
TOTAL.....	736	731	727	723	719	719

SOURCE: Town Budget

TABLE 15

TOWN OF MONTVILLE, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30	
	2006	2005
<u>GENERAL GOVERNMENT</u>		
Town Clerk:		
Vital records issued.....	1,126	1,304
Licenses issued.....	2,489	2,582
Land records filed.....	6,586	9,348
Land Use Office:		
Planning & zoning application activity.....	381	429
Inland/Wetlands application activity.....	38	
Finance Office:		
Current tax levy collection rate.....	97.66%	98.51%
Number A/P checks issued.....	3,445	3,482
Number payroll checks issued.....	3,481	3,589
Direct deposit advices.....	4,927	4,602
PUBLIC SAFETY:		
Fire:		
Emergency responses.....	2,187	2251
Fires extinguished.....	72	61
Inspections.....	635	525
Police:		
Physical arrests.....		275
Motor vehicle accidents.....		440
Traffic violations.....		2,503
Animal Control:		
Complaints.....	556	502
Dogs processed.....	133	103
Building Department:		
Number of permits issued.....	1,418	1,360
Certificates of occupancy issued.....	202	241
PUBLIC WORKS:		
Street resurfacing (miles).....	8.00	7.50
PARKS AND RECREATION:		
Summer camp enrollment.....	522	
Recreation program enrollment.....	1,268	
Trip enrollment.....	92	
HEALTH AND WELFARE:		
Number of permits/licenses issued.....	253	214
Number of plan reviews..... issued.....	132	152
Number of tests conducted.....	527	546
Number of health inspections.....	262	245
EDUCATION:		
Enrollment:		
High school.....	898	864
Middle school.....	766	720
Elementary schools.....	1,314	1,333
<u>BUSINESS-TYPE ACTIVITIES</u>		
WATER FUND:		
New connections.....	2	
Average daily consumption (thousands of gallons).....	9.78	
Peak daily consumption (thousands of gallons).....	57.1	
SEWER FUND:		
Average daily B.O.D.....	16,063	14,349
Average daily T.S.S.....	3,647	4,370
Average daily influent sewage treatment (thousands of gallons).....	2,445	2,606
TRANSFER STATION:		
Refuse collected annually (in tons).....	10,102	10,287
Recyclables collected annually (in tons).....	4,565	5,357

SOURCES: Various Town Departments

TABLE 16

TOWN OF MONTVILLE, CONNECTICUT

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS
(UNAUDITED)**

FUNCTION / PROGRAM	FISCAL YEAR ENDED JUNE 30	
	2006	2005
<u>GENERAL GOVERNMENT</u>		
PARKS AND RECREATION:		
Acreage.....	160	160
Playgrounds.....	3	3
Tennis courts.....	8	8
Baseball/softball diamonds.....	3	3
Soccer/football fields.....	4	4
Community centers.....	1	1
PUBLIC SAFETY:		
Fire Protection:		
Stations.....	4	4
Pieces of equipment.....	29	29
Police Department:		
Stations.....	1	1
Police vehicles.....	21	21
PUBLIC WORKS:		
Highway Department:		
Streets (miles).....	117	117
Public Works vehicles.....	40	39
EDUCATION:		
Number of high schools.....	1	1
Number of middle schools.....	1	1
Number of elementary schools.....	3	3
WATER FUND:		
Water mains (miles).....	10.5	10.5
Fire hydrants.....	140	135
SEWER FUND:		
Sewer mains (miles).....	63	63
Treatment capacity (thousands of gallons/day).....	4,500	4,500
GENERAL GOVERNMENT:		
Town buildings.....	4	4
Number of vehicles.....	11	11

SOURCES: Various Town Departments

NOTE: Indicators are not available for the Finance, Health and Welfare and Land Use departments.