

**Basic Financial Statements, Supplementary
Information and Independent Auditor's Report**

Town of Montville, Connecticut

June 30, 2013

Contents

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

Contents *(Continued)*

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

Independent
Auditor's Report

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut (the "Town"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-17 and the schedule of funding progress on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
November 8, 2013

Management's
Discussion and
Analysis

The management of the Town of Montville, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$126,057,401 (net position). Of this amount, \$22,742,244 represents unrestricted net position. Of this amount, \$7,165,872 represents unrestricted net position attributed to the operations of the Town's Sewer and Water Departments (business-type activities).
- The Town's total net position increased by \$3,642,656 during the current fiscal year, which consisted of a current year increase of \$3,391,489 relating to the Town's governmental activities and \$251,167 relating to the Town's business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,649,550, a current year increase of \$1,963,022 in comparison with the prior year. Of this amount, there was a current year increase of \$3,245,488 in the General Fund, an increase of \$502,414 in the Bonded Projects Fund, a decrease of \$2,014,800 in the Public Safety Building Fund, and a current year increase of \$229,920 in other governmental funds.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$7,382,987 or 12.3% of total General Fund expenditures and net other financing sources. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.5 months of General Fund operating expenditures.
- The Town's total long-term bonded debt (governmental and business-type activities combined) decreased by \$2,870,000 or 5.8% during the current fiscal year as a result of scheduled principal repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 20 - 23 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules which can be found on pages 58 and 59 - 81 of this report, respectively.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

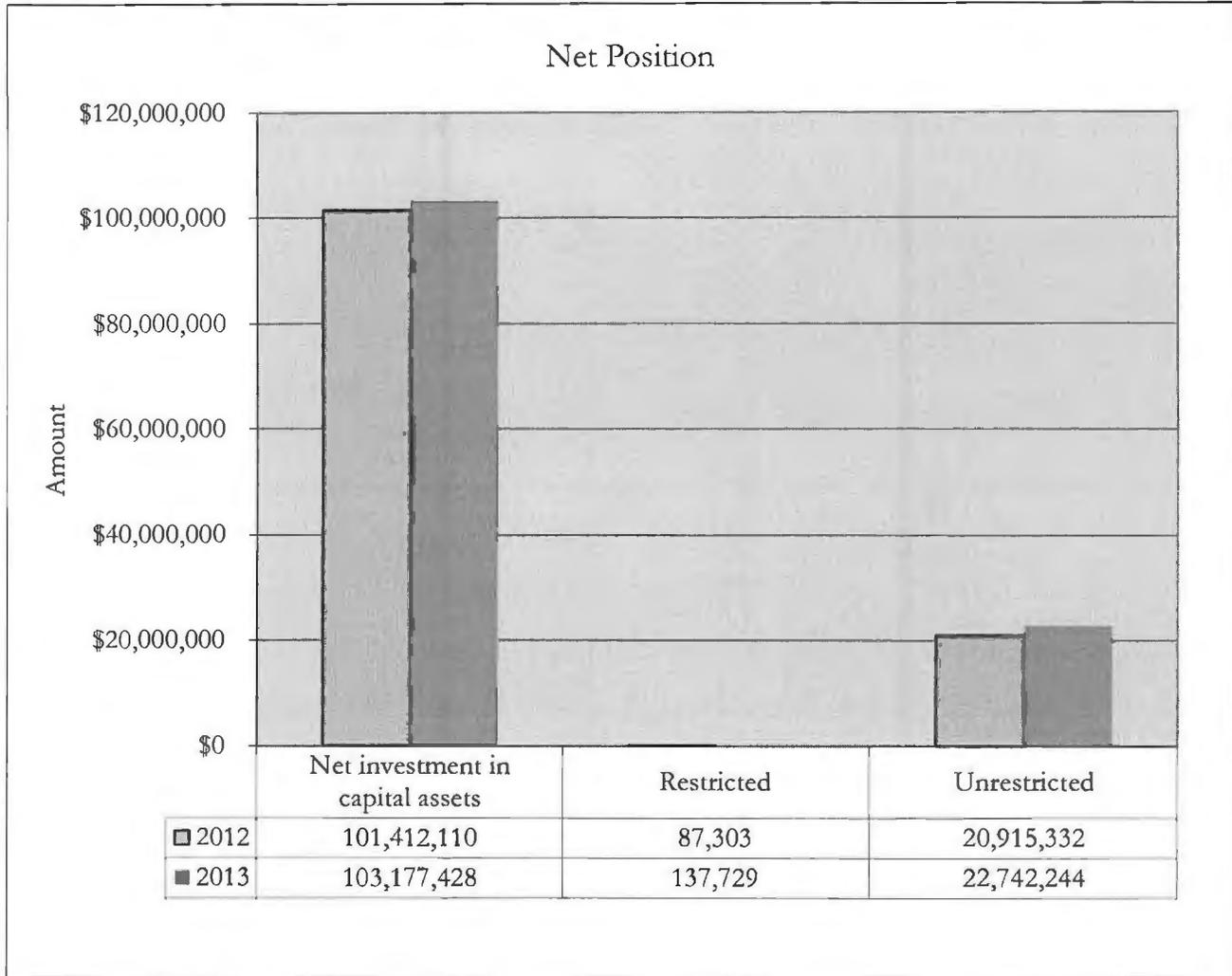
Over time, net position may serve as one measure of a government's financial position. Total net position of the Town (governmental and business type activities combined) totaled \$126,057,401 and \$122,414,745 as of June 30, 2013 and 2012 and are summarized as follows:

Town of Montville, Connecticut			
Net Position			
June 30, 2013			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 20,418,647	\$ 7,622,175	\$ 28,040,822
Capital assets	95,828,041	56,007,179	151,835,220
Total assets	<u>116,246,688</u>	<u>63,629,354</u>	<u>179,876,042</u>
Deferred outflows of resources	1,564,554	52,048	1,616,602
Other liabilities	2,714,862	393,631	3,108,493
Long-term liabilities	47,290,233	5,036,517	52,326,750
Total liabilities	<u>50,005,095</u>	<u>5,430,148</u>	<u>55,435,243</u>
Net position			
Net investment in capital assets	52,092,046	51,085,382	103,177,428
Restricted	137,729	-	137,729
Unrestricted	15,576,372	7,165,872	22,742,244
Total net position	<u>\$ 67,806,147</u>	<u>\$ 58,251,254</u>	<u>\$ 126,057,401</u>

Town of Montville, Connecticut			
Net Position			
June 30, 2012			
<i>(As restated per Note L)</i>			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 21,068,147	\$ 6,330,456	\$ 27,398,603
Capital assets	95,724,553	56,914,955	152,639,508
Total assets	<u>116,792,700</u>	<u>63,245,411</u>	<u>180,038,111</u>
Deferred outflows of resources	552,068	56,157	608,225
Other liabilities	3,525,351	137,615	3,662,966
Long-term liabilities	48,831,467	5,158,606	53,990,073
Total liabilities	<u>52,356,818</u>	<u>5,296,221</u>	<u>57,653,039</u>
Net position			
Net investment in capital assets	49,561,669	51,850,441	101,412,110
Restricted	87,303	-	87,303
Unrestricted	14,765,686	6,149,646	20,915,332
Total net position	<u>\$ 64,414,658</u>	<u>\$ 58,000,087</u>	<u>\$ 122,414,745</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



As of June 30, 2013, 81.9% of the Town's net position reflects its net investment in capital assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

The remainder of the Town's net position is considered unrestricted.

Overall, net position increased by \$3,642,656 in comparison with the prior year.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position

Changes in net position for the years ended June 30, 2013 and 2012 are as follows:

Town of Montville, Connecticut
Changes in Net Position
For The Year Ended June 30, 2013

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,763,238	\$ 6,979,352	\$ 9,742,590
Operating grants and contributions	19,821,599	105,240	19,926,839
Capital grants and contributions	160,284	-	160,284
General revenues:			
Property taxes, levied for general purposes	37,969,108	-	37,969,108
Grants and contributions not restricted to specific programs	3,385,689	-	3,385,689
Income from investments	32,635	6,761	39,396
Total revenues	<u>64,132,553</u>	<u>7,091,353</u>	<u>71,223,906</u>
Expenses			
General government	5,752,392	-	5,752,392
Public safety	3,970,750	-	3,970,750
Public works	4,274,808	-	4,274,808
Health and welfare	211,157	-	211,157
Recreation and leisure	336,737	-	336,737
Education	44,542,852	-	44,542,852
Interest on long-term debt	1,626,849	-	1,626,849
Sewer department	-	5,438,686	5,438,686
Water department	-	1,427,019	1,427,019
Total expenses	<u>60,715,545</u>	<u>6,865,705</u>	<u>67,581,250</u>
Change in net position before transfers	3,417,008	225,648	3,642,656
Transfers	(25,519)	25,519	-
Change in net position	3,391,489	251,167	3,642,656
Net position, beginning, as restated	64,414,658	58,000,087	122,414,745
Net position, ending	<u>\$ 67,806,147</u>	<u>\$ 58,251,254</u>	<u>\$ 126,057,401</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

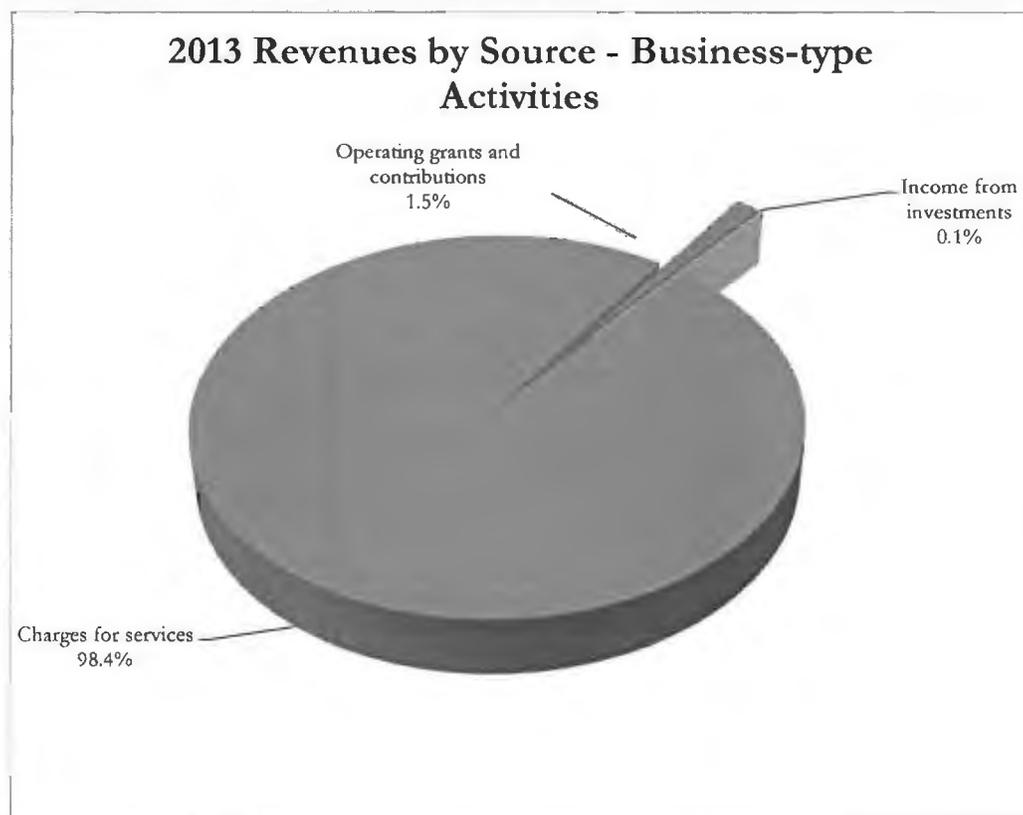
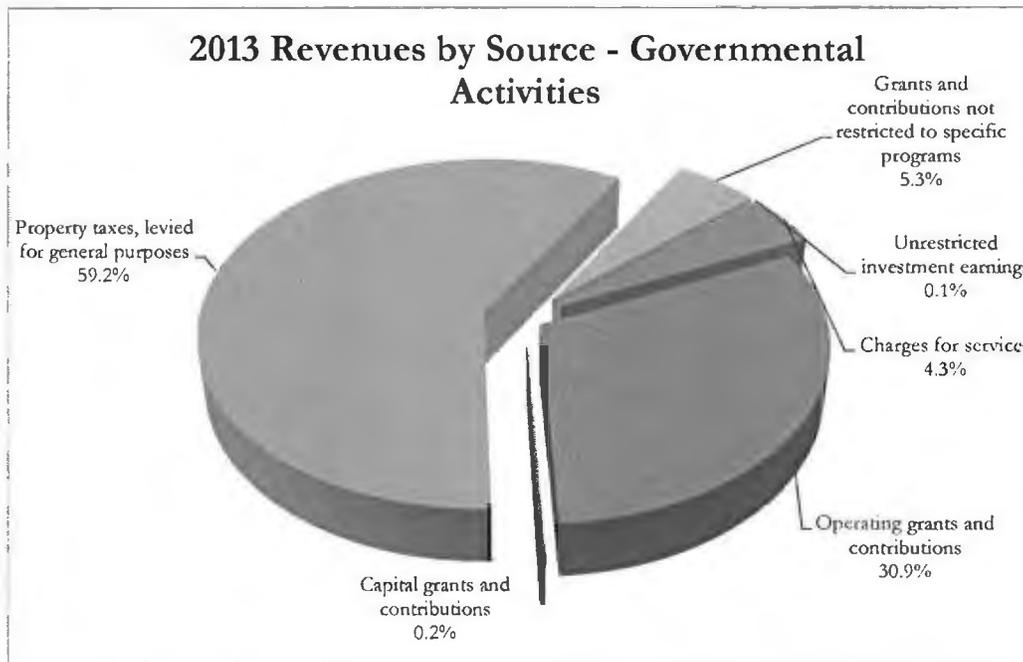
Change in Net Position (Continued)

Town of Montville, Connecticut
Changes in Net Position
For The Year Ended June 30, 2012
(As restated per Note L)

	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues:			
Charges for services	\$ 2,566,479	\$ 6,881,824	\$ 9,448,303
Operating grants and contributions	20,345,602	277,659	20,623,261
Capital grants and contributions	1,917,057	-	1,917,057
General revenues:			
Property taxes, levied for general purposes	35,701,419	-	35,701,419
Grants and contributions not restricted to specific programs	3,448,145	-	3,448,145
Income from investments	49,380	6,524	55,904
Total revenues	<u>64,028,082</u>	<u>7,166,007</u>	<u>71,194,089</u>
Expenses			
General government	6,589,959	-	6,589,959
Public works	3,920,661	-	3,920,661
Public safety	3,668,232	-	3,668,232
Health and welfare	210,773	-	210,773
Recreation and leisure	348,135	-	348,135
Education	42,680,890	-	42,680,890
Interest on long-term debt	1,348,223	-	1,348,223
Sewer department	-	5,152,201	5,152,201
Water department	-	1,449,341	1,449,341
Total expenses	<u>58,766,873</u>	<u>6,601,542</u>	<u>65,368,415</u>
Change in net position before transfers	5,261,209	564,465	5,825,674
Transfers	<u>(569,801)</u>	<u>569,801</u>	<u>-</u>
Change in net position	4,691,408	1,134,266	5,825,674
Net position, beginning, as originally reported	59,877,998	56,824,426	116,702,424
Adjustments (See Note L)	<u>(154,748)</u>	<u>41,395</u>	<u>(113,353)</u>
Net position - beginning, as restated	<u>59,723,250</u>	<u>56,865,821</u>	<u>116,589,071</u>
Net position, ending	<u>\$ 64,414,658</u>	<u>\$ 58,000,087</u>	<u>\$ 122,414,745</u>

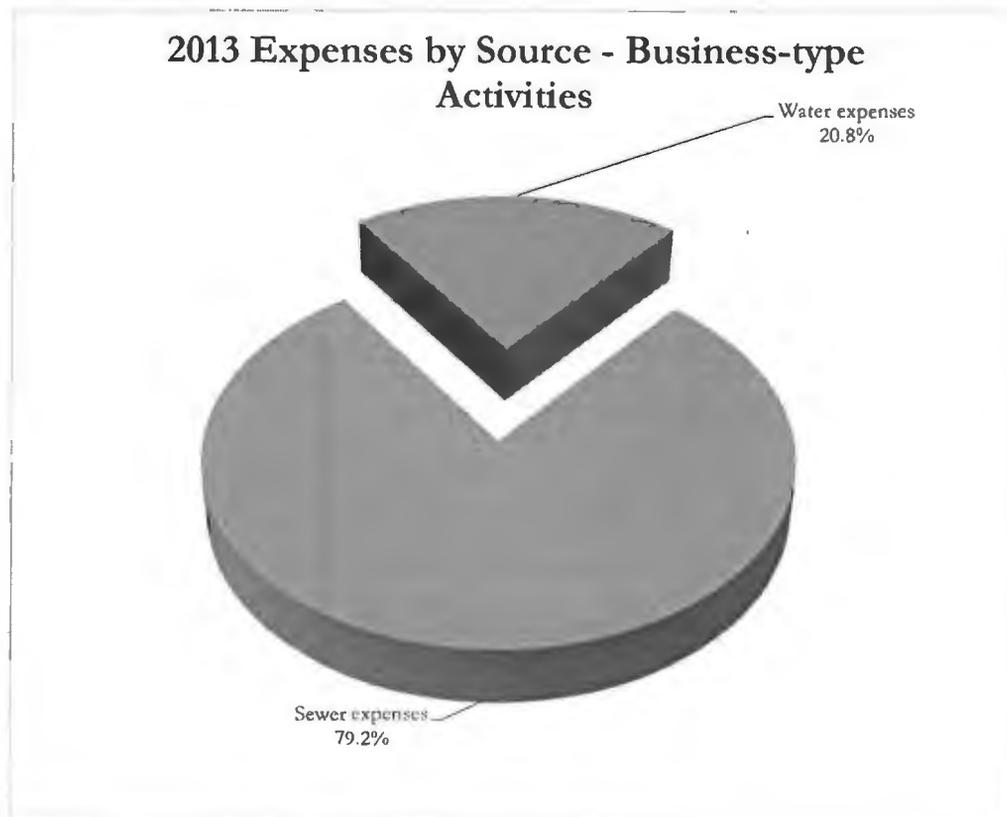
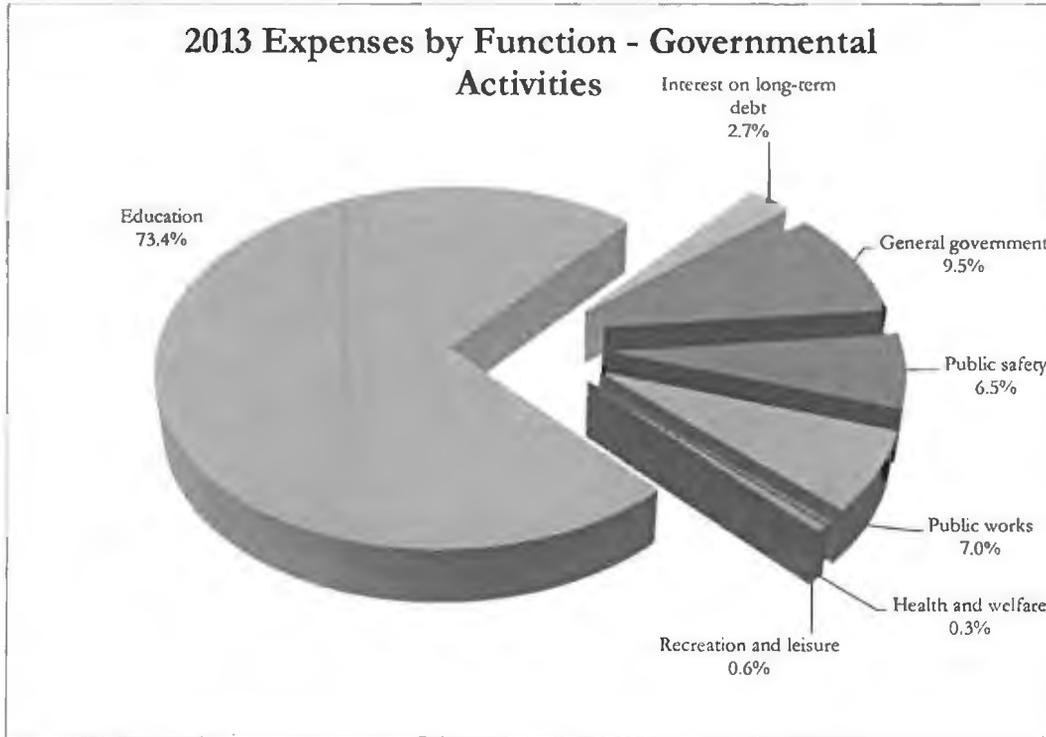
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

Governmental Activities

Governmental activities increased the Town's net position by a current year change of \$3,391,489. This increase is mainly attributable to the current year fund activity, less the capital asset and debt activity for the current year.

Business-type Activities

Business-type activities increased the Town's net position by a current year change of \$251,167. The current year increase was primarily caused by the excess of revenues over operating expenditures.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,649,550.

General Fund

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,382,987. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.3% of total general fund expenditures and transfers out. Expressed another way, unassigned fund balance for the general fund was sufficient to cover 1.5 months of general fund operating expenditures and transfers out.

The fund balance of the Town's general fund increased by \$3,245,488 during the current fiscal year, which was primarily due to a settlement payment received from a major taxpayer who filed bankruptcy in the prior year.

Bonded Projects Fund

The fund balance of the Bonded Projects Fund increased by \$502,414 during the current fiscal year. This increase was primarily due to receipt of school construction grant funding from the Department of Education in the current year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS *(Continued)*

Public Safety Building Fund

The fund balance of the Public Safety Building Fund decreased by \$2,014,800 during the current fiscal year. This decrease was primarily due to capital outlay expenditures for the construction of a public safety building.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$4,467,265. Expenditures were \$795,585 less than budgeted, and total budgetary revenues were \$4,098,060 more than expected due primarily to a favorable variance in property tax revenues due to the collection of delinquent taxes owed by a major taxpayer who filed bankruptcy in the prior year. During the year ended June 30, 2013, the Town Council approved additional appropriations of \$503,768 from fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2013 totaled \$151,835,220 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, distribution and collection systems, machinery and equipment, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$804,288 or 0.5%. This decrease consisted primarily of capital asset additions of approximately \$3.2 million, offset by depreciation expense of approximately \$3.7 million and net asset disposals of approximately \$270,000. Major capital asset events during the current fiscal year included the following:

- Outlays for construction of the public safety building in the amount of \$2,025,377.
- Outlays for Town Hall roof repair totaling \$60,000.
- Outlays for various machinery and equipment and vehicles totaling \$315,007, including the purchase of a fire pumper truck, plow and forklift.
- Acquisition of WPCA truck through capital lease financing in the amount of \$334,678.
- Outlays for WPCA equipment upgrades totaling \$175,908 and vehicles totaling \$169,827.

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*

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

Town of Montville, Connecticut
Capital Assets, Net
June 30, 2012

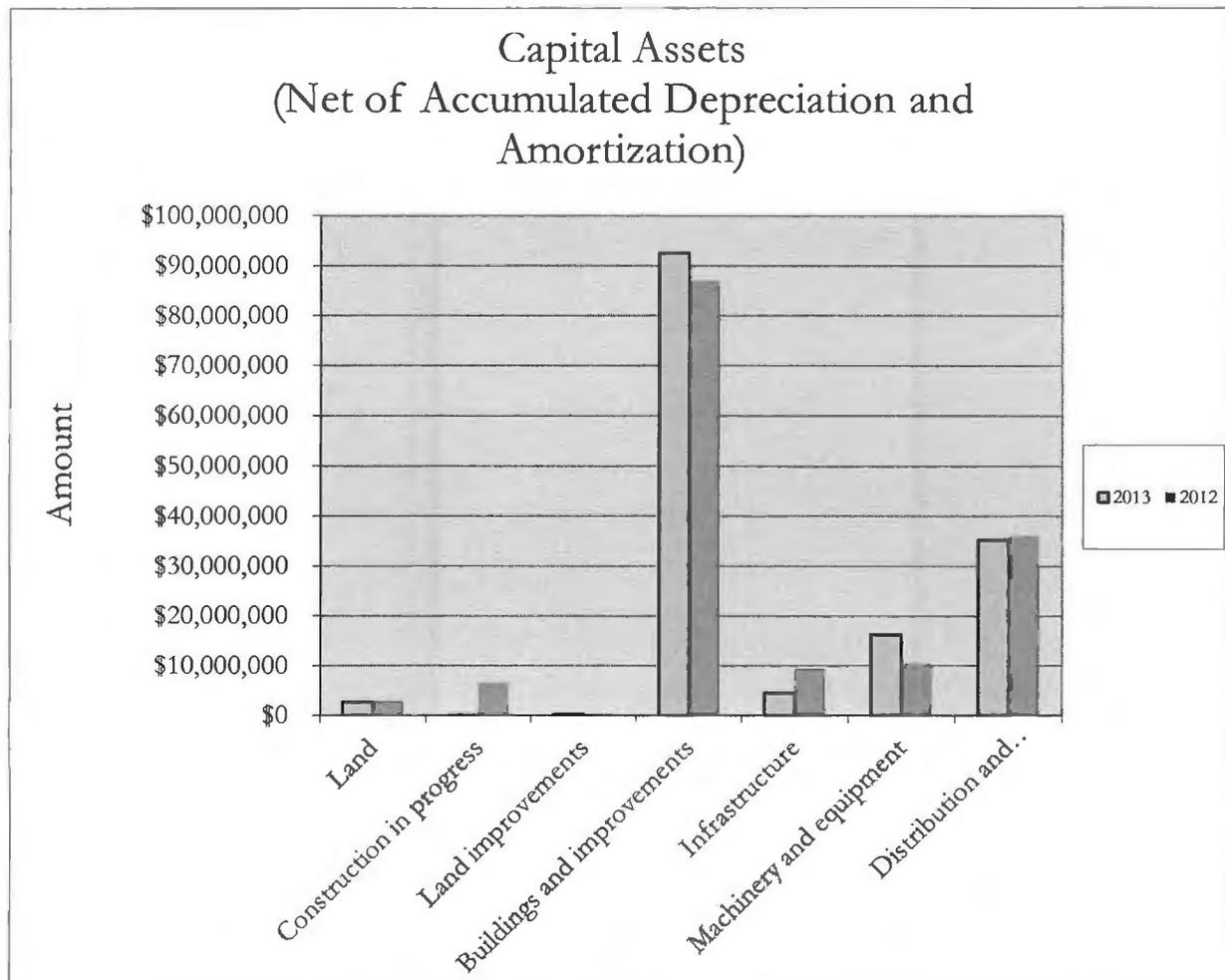
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,717,448	\$ 1,127,031	\$ 2,844,479
Construction in progress	5,832,171	729,287	6,561,458
Land improvements	289,043	-	289,043
Buildings and improvements	73,894,008	13,163,581	87,057,589
Infrastructure	9,389,516	-	9,389,516
Machinery and equipment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

Town of Montville, Connecticut
Capital Assets, Net
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Land	\$ 1,578,818	\$ 1,127,031	\$ 2,705,849
Construction in progress	152,309	1,400	153,709
Land improvements	271,616	-	271,616
Buildings and improvements	79,074,309	13,532,364	92,606,673
Infrastructure	4,530,061	-	4,530,061
Machinery and equipment	10,220,928	6,046,405	16,267,333
Distribution and collection systems	-	35,299,979	35,299,979
Totals	<u>\$ 95,828,041</u>	<u>\$ 56,007,179</u>	<u>\$ 151,835,220</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)



Additional information on the Town's capital assets can be found in Note D on pages 43 - 44 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$46,495,360. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$2,870,000 or 5.8% during the current fiscal year primarily due to scheduled principal payments, offset by new bonds and capital lease obligations issued during the year.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$271,595,380, which is significantly in excess of the Town's outstanding general obligation debt.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long-term Debt (Continued)

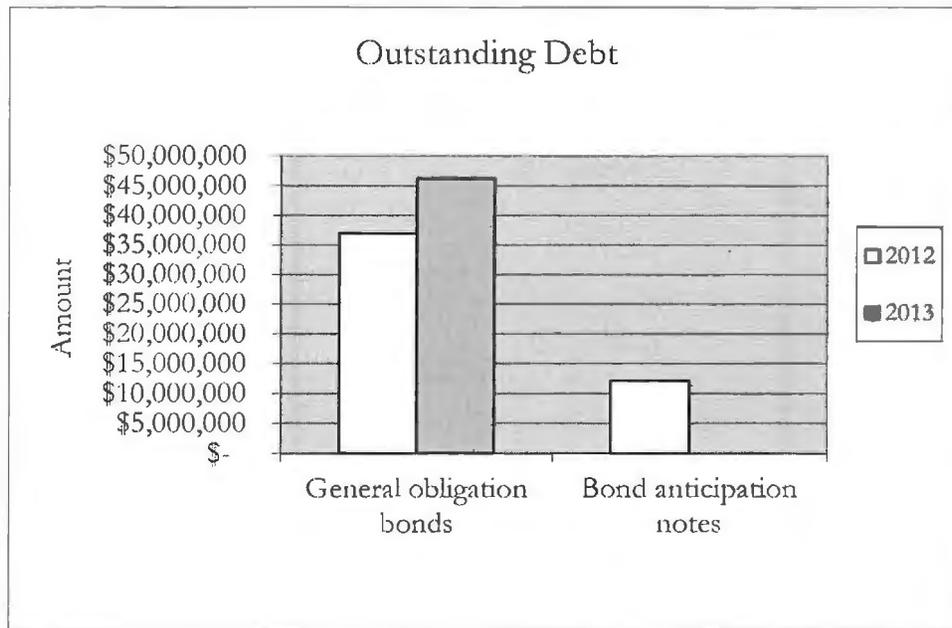
The following are tables of long-term bonded debt:

**Town of Montville, Connecticut
 Long-term Debt
 June 30, 2013**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 43,484,200	\$ 2,745,800	\$ 46,230,000
Bond anticipation note payable	-	-	-
Totals	\$ 43,484,200	\$ 2,745,800	\$ 46,230,000

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

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



Additional information on the Town's long-term debt can be found in Note G on pages 46 - 50 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The unemployment rate for the Town is currently 8.1% compared to the state's average unemployment rate of 8.0% and the national unemployment rate of 7.6%.
- Unassigned fund balance of the General Fund totals \$7,382,987 at June 30, 2013.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2014, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - Intergovernmental grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2014.

REQUESTS FOR INFORMATION

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

Basic
Financial
Statements

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 15,889,074	\$ 4,548,052	\$ 20,437,126
Investments	-	801,189	801,189
Receivables:			
Property taxes, net of allowance for uncollectibles of \$187,000	1,607,779	-	1,607,779
Interest on property taxes and assessments, net of allowance for uncollectibles of \$191,000	585,395	-	585,395
Assessments and user charges receivable net allowance for uncollectibles of \$206,700	137,745	1,169,736	1,307,481
Connection fees	-	218,261	218,261
Intergovernmental	1,752,824	-	1,752,824
Other	83,140	57,908	141,048
Internal balances	294,506	(294,506)	-
Inventories	68,184	-	68,184
Noncurrent assets:			
Receivables:			
Connection fees	-	873,061	873,061
Other	-	248,474	248,474
Capital assets:			
Non-depreciable	1,731,127	1,128,431	2,859,558
Depreciable, net	94,096,914	54,878,748	148,975,662
Total assets	<u>116,246,688</u>	<u>63,629,354</u>	<u>179,876,042</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,564,554	52,048	1,616,602
LIABILITIES			
Accounts payable and accrued expenses	1,073,861	329,662	1,403,523
Accrued liabilities:			
Salaries and benefits payable	286,999	-	286,999
Accrued interest	666,991	63,969	730,960
Claims payable	405,240	-	405,240
Unearned revenue	281,771	-	281,771
Noncurrent liabilities:			
Due within one year:			
Bonds and note payable	2,834,000	211,000	3,045,000
Capital lease obligation	-	64,595	64,595
Compensated absences	327,100	10,000	337,100
Contract payable	-	218,261	218,261
Early retirement incentive	78,022	-	78,022
Landfill postclosure	19,000	-	19,000
Due in more than one year:			
Bonds and note payable	42,466,549	2,646,675	45,113,224
Capital lease obligation	-	200,765	200,765
Compensated absences	1,308,248	52,672	1,360,920
Contract payable	-	1,632,549	1,632,549
Early retirement incentive	54,762	-	54,762
Net OPEB obligation	12,552	-	12,552
Landfill postclosure	190,000	-	190,000
Total liabilities	<u>50,005,095</u>	<u>5,430,148</u>	<u>55,435,243</u>
NET POSITION			
Net investment in capital assets	52,092,046	51,085,382	103,177,428
Restricted for:			
Grant program purposes	124,719	-	124,719
Other purposes	13,010	-	13,010
Unrestricted	15,576,372	7,165,872	22,742,244
Total net position	<u>\$ 67,806,147</u>	<u>\$ 58,251,254</u>	<u>\$ 126,057,401</u>

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 5,752,392	\$ 660,483	\$ 963,018	\$ -	\$ (4,128,891)	\$ -	\$ (4,128,891)
Public safety	3,970,750	261,315	256,288	-	(3,453,147)	-	(3,453,147)
Public works	4,274,808	549,840	3,000	160,284	(3,561,684)	-	(3,561,684)
Health and welfare	211,157	-	-	-	(211,157)	-	(211,157)
Recreation and leisure	336,737	162,609	-	-	(174,128)	-	(174,128)
Education	44,542,852	1,128,991	18,599,293	-	(24,814,568)	-	(24,814,568)
Interest on long-term debt	1,626,849	-	-	-	(1,626,849)	-	(1,626,849)
Total governmental activities	<u>60,715,545</u>	<u>2,763,238</u>	<u>19,821,599</u>	<u>160,284</u>	<u>(37,970,424)</u>	<u>-</u>	<u>(37,970,424)</u>
Business-type activities:							
Sewer department	5,438,686	5,826,977	105,240	-	-	493,531	493,531
Water department	1,427,019	1,152,375	-	-	-	(274,644)	(274,644)
	<u>6,865,705</u>	<u>6,979,352</u>	<u>105,240</u>	<u>-</u>	<u>-</u>	<u>218,887</u>	<u>218,887</u>
Total primary government	<u>\$ 67,581,250</u>	<u>\$ 9,742,590</u>	<u>\$ 19,926,839</u>	<u>\$ 160,284</u>	<u>(37,970,424)</u>	<u>218,887</u>	<u>(37,751,537)</u>
General revenues:							
Property taxes, levied for general purposes					37,969,108	-	37,969,108
Grants and contributions not restricted to specific programs					3,385,689	-	3,385,689
Income from investments					32,635	6,761	39,396
Total general revenues					<u>41,387,432</u>	<u>6,761</u>	<u>41,394,193</u>
Transfers					(25,519)	25,519	-
Total general revenues and transfers					<u>41,361,913</u>	<u>32,280</u>	<u>41,394,193</u>
Change in net position					3,391,489	251,167	3,642,656
Net position - beginning, as originally reported					64,556,428	57,961,453	122,517,881
Adjustment (See Note L)					(141,770)	38,634	(103,136)
Net position - beginning, as restated					<u>64,414,658</u>	<u>58,000,087</u>	<u>122,414,745</u>
Net position - ending					<u>\$ 67,806,147</u>	<u>\$ 58,251,254</u>	<u>\$ 126,057,401</u>

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

TOWN OF MONTVILLE, CONNECTICUT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Bonded Projects Fund	Public Safety Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 15,162,349	\$ -	\$ -	\$ 472,552	\$ 15,634,901
Receivables:					
Property taxes, net of allowance for doubtful accounts of \$187,000	1,607,779	-	-	-	1,607,779
Interest on property taxes, net of allowance for uncollectibles of \$191,000	585,395	-	-	-	585,395
Assessments and interest receivable	137,745	-	-	-	137,745
Intergovernmental	358,963	1,213,931	-	179,930	1,752,824
Other	78,785	-	-	4,355	83,140
Due from other funds	1,186,290	-	95,516	1,155,991	2,437,797
Advances to other funds	280,022	-	-	-	280,022
Inventories	43,738	-	-	24,446	68,184
Total assets	<u>\$ 19,441,066</u>	<u>\$ 1,213,931</u>	<u>\$ 95,516</u>	<u>\$ 1,837,274</u>	<u>\$ 22,587,787</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,029,162	\$ -	\$ 9,439	\$ 34,324	\$ 1,072,925
Accrued liabilities:					
Salaries and benefits payable	286,999	-	-	-	286,999
Due to funding source	-	-	-	936	936
Due to other funds	7,127,660	1,016,881	-	154,925	8,299,466
Unearned revenue	40,898	-	-	240,873	281,771
Total liabilities	<u>8,484,719</u>	<u>1,016,881</u>	<u>9,439</u>	<u>431,058</u>	<u>9,942,097</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,644,464	-	-	-	1,644,464
Unavailable revenue - special assessments	137,745	-	-	-	137,745
Unavailable revenue - school construction grant	-	1,213,931	-	-	1,213,931
Total deferred inflows of resources	<u>1,782,209</u>	<u>1,213,931</u>	<u>-</u>	<u>-</u>	<u>2,996,140</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Advances to other funds	280,022	-	-	-	280,022
Inventory	43,738	-	-	24,446	68,184
Restricted for:					
Grant program purposes	-	-	-	124,719	124,719
External	-	-	-	13,010	13,010
Committed to:					
General government	-	-	-	215,269	215,269
Recreation	-	-	-	28,945	28,945
Education	-	-	-	297,430	297,430
Capital projects	-	-	86,077	771,371	857,448
Assigned to:					
Education	1,271,325	-	-	-	1,271,325
Capital outlays	60,926	-	-	-	60,926
General government	93,906	-	-	-	93,906
Public Works	6,134	-	-	-	6,134
Public Safety - Severance	35,100	-	-	-	35,100
Unassigned	7,382,987	(1,016,881)	-	(68,974)	6,297,132
Total fund balances (deficit)	<u>9,174,138</u>	<u>(1,016,881)</u>	<u>86,077</u>	<u>1,406,216</u>	<u>9,649,550</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 19,441,066</u>	<u>\$ 1,213,931</u>	<u>\$ 95,516</u>	<u>\$ 1,837,274</u>	<u>\$ 22,587,787</u>

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

TOWN OF MONTVILLE, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance for governmental funds	\$	9,649,550
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$	1,578,818
Construction in progress		152,309
Land improvements		975,678
Buildings and improvements		93,541,418
Machinery and equipment		12,015,057
Infrastructure		17,256,300
Less accumulated depreciation and amortization		<u>(29,691,539)</u>
Total capital assets, net		95,828,041
Some of the Town's taxes, assessments, interest and long-term grant receivables will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		
		2,996,140
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Accrued interest payable		(666,991)
Long-term debt:		
Bonds and note payable, net		(45,300,549)
Deferred charge on refunding		1,564,554
Other long-term liabilities:		
Compensated absences		(1,635,348)
Early retirement incentive		(132,784)
Net OPEB obligation		(12,552)
Landfill closure		<u>(209,000)</u>
Total long-term liabilities		(46,392,670)
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		<u>5,725,086</u>
Net position of governmental activities	\$	<u><u>67,806,147</u></u>

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Bonded Projects Fund	Public Safety Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 39,246,721	\$ -	\$ -	\$ -	\$ 39,246,721
Assessments	168,032	-	-	-	168,032
Intergovernmental	17,358,617	502,414	10,577	1,671,109	19,542,717
State on-behalf payments	3,736,712	-	-	-	3,736,712
Charges for services	2,346,610	-	-	585,716	2,932,326
Donations	-	-	-	90,827	90,827
Investment earnings	32,563	-	-	47	32,610
Total revenues	<u>62,889,255</u>	<u>502,414</u>	<u>10,577</u>	<u>2,347,699</u>	<u>65,749,945</u>
EXPENDITURES					
Current:					
General government	5,994,072	-	-	146,175	6,140,247
Public safety	3,691,290	-	-	3,052	3,694,342
Public works	3,359,171	-	-	11,016	3,370,187
Health and welfare	210,848	-	-	-	210,848
Recreation and leisure	230,548	-	-	63,207	293,755
Miscellaneous	57,759	-	-	-	57,759
State on-behalf payments	3,736,712	-	-	-	3,736,712
Education	37,500,410	-	-	1,925,036	39,425,446
Debt service:					
Principal payments	3,263,400	-	-	-	3,263,400
Interest and fiscal charges	1,415,380	-	-	-	1,415,380
Capital outlays	363,758	-	2,025,377	658,132	3,047,267
Total expenditures	<u>59,823,348</u>	<u>-</u>	<u>2,025,377</u>	<u>2,806,618</u>	<u>64,655,343</u>
Excess (deficiency) of revenues over expenditures	3,065,907	502,414	(2,014,800)	(458,919)	1,094,602
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of general obligation bonds	9,195,000	4,000,000	5,800,000	825,000	19,820,000
Premium on bond issuance	1,368,298	-	-	-	1,368,298
Repayment of bond anticipation notes	-	(4,000,000)	(5,800,000)	(825,000)	(10,625,000)
Payment to refunded bond escrow agent	(9,704,878)	-	-	-	(9,704,878)
Transfers in	10,000	-	-	734,755	744,755
Transfers out	(688,839)	-	-	(45,916)	(734,755)
Total other financing sources (uses)	<u>179,581</u>	<u>-</u>	<u>-</u>	<u>688,839</u>	<u>868,420</u>
Net change in fund balances	3,245,488	502,414	(2,014,800)	229,920	1,963,022
Fund balances (deficit) - beginning	<u>5,928,650</u>	<u>(1,519,295)</u>	<u>2,100,877</u>	<u>1,176,296</u>	<u>7,686,528</u>
Fund balances (deficit) - ending	<u>\$ 9,174,138</u>	<u>\$ (1,016,881)</u>	<u>\$ 86,077</u>	<u>\$ 1,406,216</u>	<u>\$ 9,649,550</u>

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

TOWN OF MONTVILLE, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances (deficit) - total governmental funds \$ 1,963,022

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

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

Expenditures for capital assets	\$ 2,490,378	
Depreciation and amortization expense	<u>(2,113,268)</u>	
Net adjustment		377,110

In the statement of activities, only the gain (loss) on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds. (273,622)

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

Debt issued or incurred:		
Refunding bonds issued	(9,195,000)	
Principal repayments:		
Bonds and note payable	3,263,400	
Payments to refunded bond escrow agent	<u>8,625,000</u>	
Net adjustment		2,693,400

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

Accrued interest	(233,378)	
Deferred charge on refunding	1,012,486	
Unamortized bond premium	(1,278,997)	
Compensated absences	99,190	
Early retirement incentive	44,485	
Litigation and judgment	550,000	
Net OPEB obligation	(12,552)	
Landfill postclosure	<u>19,000</u>	
		200,234

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in deferred inflows. (1,954,876)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities. 386,221

Change in net position of governmental activities \$ 3,391,489

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

TOWN OF MONTVILLE, CONNECTICUT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 BUDGETARY BASIS - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 36,631,368	\$ 36,631,368	\$ 39,246,721	\$ 2,615,353
Intergovernmental	16,468,259	16,468,259	17,307,973	839,714
Charges for services	2,336,113	2,336,113	2,953,911	617,798
Use of town money	175,400	175,400	200,595	25,195
Total revenues	<u>55,611,140</u>	<u>55,611,140</u>	<u>59,709,200</u>	<u>4,098,060</u>
EXPENDITURES				
Current:				
General government	6,250,269	6,270,414	5,899,184	(371,230)
Public safety	3,669,011	3,735,511	3,658,190	(77,321)
Public works	3,406,630	3,489,730	3,357,268	(132,462)
Health and welfare	169,331	178,931	178,763	(168)
Social services	33,231	33,231	32,085	(1,146)
Recreation and leisure	235,643	238,143	230,548	(7,595)
Miscellaneous	58,100	58,100	57,759	(341)
Education	36,632,735	36,632,735	36,435,558	(197,177)
Capital outlay	638,200	638,200	638,200	
Debt service:				
Principal payments	3,093,400	3,093,400	3,263,400	170,000
Interest and fiscal charges	1,434,590	1,281,190	1,103,045	(178,145)
Total expenditures	<u>55,621,140</u>	<u>55,649,585</u>	<u>54,854,000</u>	<u>(795,585)</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(38,445)	4,855,200	4,893,645
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
Transfers out	-	(475,323)	(475,323)	-
Cancellation of prior year encumbrances	-	-	77,388	77,388
Appropriation of fund balance	-	503,768	-	(503,768)
Total other financing sources (uses)	<u>10,000</u>	<u>38,445</u>	<u>(387,935)</u>	<u>(426,380)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,467,265</u>	<u>\$ 4,467,265</u>
Fund balance - beginning			<u>3,274,582</u>	
Fund balance - ending			<u>\$ 7,741,847</u>	

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET POSITION -

PROPRIETARY FUNDS

JUNE 30, 2013

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,021,353	\$ 526,699	\$ 4,548,052	\$ 254,173
Investments	801,189	-	801,189	-
Receivables:				
User charges, net allowance for doubtful accounts of \$206,700	1,073,933	95,803	1,169,736	-
Connection fees	-	218,261	218,261	-
Other	57,908	-	57,908	-
Due from other funds	-	751	751	5,876,153
Total current assets	<u>5,954,383</u>	<u>841,514</u>	<u>6,795,897</u>	<u>6,130,326</u>
Noncurrent assets:				
Receivables:				
Connection fees	-	873,061	873,061	-
Other	248,474	-	248,474	-
Capital assets:				
Non-depreciable	1,088,131	40,300	1,128,431	-
Depreciable, net	42,934,192	11,944,556	54,878,748	-
Total noncurrent assets	<u>44,270,797</u>	<u>12,857,917</u>	<u>57,128,714</u>	<u>-</u>
Total assets	<u>50,225,180</u>	<u>13,699,431</u>	<u>63,924,611</u>	<u>6,130,326</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	<u>52,048</u>	<u>-</u>	<u>52,048</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	223,655	106,007	329,662	-
Accrued interest	63,969	-	63,969	-
Claims payable	-	-	-	405,240
Due to other funds	14,196	1,039	15,235	-
Total current liabilities	<u>301,820</u>	<u>107,046</u>	<u>408,866</u>	<u>405,240</u>
Non-current liabilities:				
Due within one year:				
Bonds payable	211,000	-	211,000	-
Capital lease obligation	64,595	-	64,595	-
Compensated absences	10,000	-	10,000	-
Contract payable	-	218,261	218,261	-
Due in more than one year:				
Advances from other funds	280,022	-	280,022	-
Bonds payable	2,646,675	-	2,646,675	-
Capital lease obligation	200,765	-	200,765	-
Compensated absences	52,672	-	52,672	-
Contract payable	-	1,632,549	1,632,549	-
Total non-current liabilities	<u>3,465,729</u>	<u>1,850,810</u>	<u>5,316,539</u>	<u>-</u>
Total liabilities	<u>3,767,549</u>	<u>1,957,856</u>	<u>5,725,405</u>	<u>405,240</u>
NET POSITION				
Net investment in capital assets	40,951,336	10,134,046	51,085,382	-
Unrestricted	5,558,343	1,607,529	7,165,872	5,725,086
Total net position	<u>\$ 46,509,679</u>	<u>\$ 11,741,575</u>	<u>\$ 58,251,254</u>	<u>\$ 5,725,086</u>

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
OPERATING REVENUES				
Charges for services and premiums	\$ 5,826,977	\$ 1,152,375	\$ 6,979,352	\$ 6,996,931
Intergovernmental	105,240	-	105,240	-
Total operating revenues	<u>5,932,217</u>	<u>1,152,375</u>	<u>7,084,592</u>	<u>6,996,931</u>
OPERATING EXPENSES				
Personnel services	882,111	55,011	937,122	-
Supplies and administration	1,621,904	963,036	2,584,940	-
Maintenance	431,595	33,340	464,935	-
Energy and transportation	741,087	45,339	786,426	-
Insurance and taxes	345,855	35,109	380,964	-
Claims incurred	-	-	-	5,801,171
Administration	-	-	-	809,564
Depreciation	1,323,421	295,184	1,618,605	-
Total operating expenses	<u>5,345,973</u>	<u>1,427,019</u>	<u>6,772,992</u>	<u>6,610,735</u>
Operating income (loss)	586,244	(274,644)	311,600	386,196
NON-OPERATING INCOME (EXPENSE)				
Interest income	6,761	-	6,761	25
Interest expense	(92,713)	-	(92,713)	-
Total non-operating income (expense)	<u>(85,952)</u>	<u>-</u>	<u>(85,952)</u>	<u>25</u>
Change in net position before transfers and capital contributions	500,292	(274,644)	225,648	386,221
Capital contributions	-	35,519	35,519	-
Transfer out	(10,000)	-	(10,000)	-
Change in net position	<u>490,292</u>	<u>(239,125)</u>	<u>251,167</u>	<u>386,221</u>
Net position - beginning, as originally reported	45,980,753	11,980,700	57,961,453	5,338,865
Adjustments (See Note L)	<u>38,634</u>	<u>-</u>	<u>38,634</u>	<u>-</u>
Net position - beginning, as restated	<u>46,019,387</u>	<u>11,980,700</u>	<u>58,000,087</u>	<u>5,338,865</u>
Net position - ending	<u>\$ 46,509,679</u>	<u>\$ 11,741,575</u>	<u>\$ 58,251,254</u>	<u>\$ 5,725,086</u>

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF CASH FLOWS -

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities			Governmental
	Sewer Department	Water Department	Total Business-type Activities	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for the following:				
Customers and users	\$ 5,878,259	\$ 1,244,893	\$ 7,123,152	\$ 6,730,867
Intergovernmental	105,240	-	105,240	-
Cash paid for the following:				
Personnel services	(862,629)	(55,011)	(917,640)	-
Supplies and administration	(1,398,254)	(967,170)	(2,365,424)	(809,564)
Maintenance	(426,492)	(33,340)	(459,832)	-
Energy and transportation	(741,087)	(45,339)	(786,426)	-
Insurance and taxes	(345,855)	(35,109)	(380,964)	-
Benefits and claims	-	-	-	(5,833,103)
Net cash provided by operating activities	<u>2,209,182</u>	<u>108,924</u>	<u>2,318,106</u>	<u>88,200</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash transfers related to interfund activity	(477,993)	33,825	(444,168)	-
Net cash provided by (used in) noncapital financing activities	<u>(477,993)</u>	<u>33,825</u>	<u>(444,168)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(345,735)	-	(345,735)	-
Payments collected on long-term receivables	47,978	218,261	266,239	-
Interest paid on capital debt	(61,432)	-	(61,432)	-
Principal paid on capital debt	(245,918)	(226,263)	(472,181)	-
Net cash used in capital and related financial activities	<u>(605,107)</u>	<u>(8,002)</u>	<u>(613,109)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(801,189)	-	(801,189)	-
Interest income	6,761	-	6,761	25
Net cash provided by (used in) investing activities	<u>(794,428)</u>	<u>-</u>	<u>(794,428)</u>	<u>25</u>
Net increase in cash and cash equivalents	331,654	134,747	466,401	88,225
Cash and cash equivalents, beginning of year	<u>3,689,699</u>	<u>391,952</u>	<u>4,081,651</u>	<u>165,948</u>
Cash and cash equivalents, end of year	<u>\$ 4,021,353</u>	<u>\$ 526,699</u>	<u>\$ 4,548,052</u>	<u>\$ 254,173</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 586,244	\$ (274,644)	\$ 311,600	\$ 386,196
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,323,421	295,184	1,618,605	-
Changes in assets and liabilities:				
Decrease in user charges receivable	51,282	92,518	143,800	-
Increase (decrease) in accounts payable	223,650	(4,134)	219,516	-
Loss on disposal of assets	5,103	-	5,103	-
Increase in compensated absences	19,482	-	19,482	-
Increase in due from other funds	-	-	-	(266,064)
Decrease in claims payable	-	-	-	(31,932)
Net cash provided by operating activities	<u>\$ 2,209,182</u>	<u>\$ 108,924</u>	<u>\$ 2,318,106</u>	<u>\$ 88,200</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets acquired through assumption of capital lease	<u>\$ 334,678</u>	<u>\$ -</u>	<u>\$ 334,678</u>	<u>\$ -</u>
Increase in depreciable capital assets through capital transfer in	<u>-</u>	<u>35,519</u>	<u>35,519</u>	<u>-</u>

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust Fund - School Scholarships	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 61,656	\$ 331,786
Investments, at fair value:		
Certificates of deposit	89,473	32,682
Equity mutual funds	172,356	-
Fixed income mutual funds	39,031	-
Total assets	<u>362,516</u>	<u>\$ 364,468</u>
LIABILITIES		
Due to student groups	-	274,286
Due to others	-	90,182
Total liabilities	<u>-</u>	<u>\$ 364,468</u>
NET POSITION		
Held in trust for scholarship benefits	<u>\$ 362,516</u>	

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

TOWN OF MONTVILLE, CONNECTICUT
STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Fund - School Scholarships</u>
ADDITIONS	
Contributions:	
Private donations	\$ 150
Total contributions	<u>150</u>
Investment earnings:	
Interest	2,948
Net increase in the fair value of investments	<u>30,867</u>
Total investment earnings	<u>33,815</u>
Total additions	<u>33,965</u>
DEDUCTIONS	
Awards expense	8,777
Administrative expenses	<u>150</u>
Total deductions	<u>8,927</u>
Change in net position	25,038
Net position - beginning	<u>337,478</u>
Net position - ending	<u>\$ 362,516</u>

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

In addition, the Town reports the following fund types:

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity

Cash Equivalents

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

Investments

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

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

Inventories

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

Property Taxes, Sewer Assessment and Usage Charges

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$378,000 as of June 30, 2013.

Upon completion of projects, water and sewer assessments are levied and assessed to the users each February. Usage charges are billed quarterly or monthly depending on the property type, beginning in January. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full. Based on historical collection experience and other factors, the WPCA has established an allowance for uncollectible sewer and water usage of \$206,700 as of June 30, 2013.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity (Continued)

Capital Assets

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

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

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

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

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

Unearned Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and school construction grant funding. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

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

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

Long-term Obligations

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity (Continued)

Net Position and Fund Balance

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

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net position – This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position is the net amount of the assets, liabilities, and deferred inflows/outflows of resources which do not meet the definition of the two preceding categories.

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

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

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

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

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

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

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Equity *(Continued)*

Net Position and Fund Balance *(Continued)*

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over the use of fund balance. In practice, the Town uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned. It is the Town's policy to maintain an unassigned fund balance in the General Fund between 5% and 12% of the Town's general fund budget. Two-thirds vote of the entire Town Council is required to decrease total fund balance below 8%. Unassigned fund balance in the General Fund as of June 30, 2013 represents 13.2% of the Town's final general fund budget.

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

Interfund Services Provided and Used

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

Interfund Transfers

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

Interfund Reimbursements

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

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

Use of Estimates

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

NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES

Budgetary Information

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

- By 100 days before the close of the fiscal year, the head of each department, office and agency submits to the Finance Director detailed estimates of expenditures and any revenues other than tax revenues expected to be collected. Expenditures are controlled at the department level.
- The Mayor submits a Capital Improvement Program for the ensuing fiscal year and the immediate four subsequent years to the Town Council for changes from the prior year's program by 75 days before the close of the fiscal year. It is then submitted to the Planning and Zoning Commission for approval. The Town Council then adopts the Program. The Program details the project, cost estimates, methods of financing, time schedules, and the estimated annual cost of the facility operation.
- By 75 days before the close of the fiscal year, the Mayor presents a budget message, estimates of revenues and expenditures and justifications to the Town Council.
- By 60 days before the close of the fiscal year, the Town Council publishes the particulars of the budgets and holds one or more public hearings.
- The Town Council may add, increase, delete or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor, who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be overridden by a two-thirds vote of the entire Town Council.
- The Town Council adopts the final budget before 30 days of the close of the fiscal year.
- If the Town Council fails to adopt a budget within the prescribed timeframe, the previous year's budget prevails on a month-to-month basis until the new budget is adopted.
- With written approval of a department head and the Director of Finance, transfers between line items within a department can be made. The Town Council may transfer unexpended balances between departments.
- The Board of Education may transfer unexpended balances between accounts within its total line appropriation.
- Additional appropriations may be made during the year by resolution of the Town Council. Additional appropriations from fund balance for the year ended June 30, 2013 amounted to \$503,768.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

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

Budgetary Information (Continued)

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

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2013:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources - Transfers, Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 59,709,200	\$ 54,854,000	\$ (387,935)	\$ 4,467,265
"On-behalf" payments - State Teachers Retirement Fund (see Note H)	3,736,712	3,736,712	-	-
Encumbrances	-	1,144,389	(77,388)	(1,221,777)
Bond proceeds and issuance costs not recorded for budgetary purposes	(546,085)	312,335	858,420	-
Certain items recorded as revenues for budgetary purposes	(10,572)	(224,088)	(213,516)	-
GAAP basis	<u>\$ 62,889,255</u>	<u>\$ 59,823,348</u>	<u>\$ 179,581</u>	<u>\$ 3,245,488</u>

Deficit Fund Balances

The following funds have deficit fund balances as of June 30, 2013, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
Bonded Projects Fund	\$ (1,016,881)
Palmertown Water Project Phase 2 Fund	(58,237)
Bonded Fund	(10,737)

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS

A reconciliation of the Town's cash and cash equivalents as of June 30, 2013 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 20,437,126
Statement of fiduciary net position:	
Cash and cash equivalents	393,442
	<u>20,830,568</u>
Add: certificates of deposit classified as investments	923,344
Less: cash equivalents considered investments under GASB Statement No. 40	<u>(6,767,696)</u>
	<u><u>\$ 14,986,216</u></u>

Cash Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$15,527,641 of the Town's bank balance of \$16,775,101 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,974,877
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	1,552,764
	<u><u>\$ 15,527,641</u></u>

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

A reconciliation of the Town's investments as of June 30, 2013 is as follows:

Government-wide statement of net position:		
Investments	\$	801,189
Statement of fiduciary net position:		
Investments		333,542
		<u>1,134,731</u>
Add: cash equivalents considered investments under GASB Statement No. 40		6,767,696
Less: certificates of deposit classified as investments		<u>(923,344)</u>
	\$	<u><u>6,979,083</u></u>

As of June 30, 2013, the Town's investments consist of the following:

Investment type	Fair Value	Investment Maturities (In Years) Less Than 1
Debt Securities:		
Pooled fixed income accounts	\$ 6,764,775	\$ 6,764,775
Fixed income mutual funds	39,031	39,031
Money market mutual funds	2,921	2,921
	<u>6,806,727</u>	<u>\$ 6,806,727</u>
Other investments:		
Equity mutual funds	172,356	
	<u>\$ 6,979,083</u>	

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk at June 30, 2013, as they are held by a trustee in the Town's name.

Concentrations of Credit Risk

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE D - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2013 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,717,448	\$ 65,440	\$ (204,070)	\$ 1,578,818
Construction in progress	5,832,171	2,328,606	(8,008,468)	152,309
Total capital assets, not being depreciated	<u>7,549,619</u>	<u>2,394,046</u>	<u>(8,212,538)</u>	<u>1,731,127</u>
Capital assets, being depreciated:				
Land improvements	975,678	-	-	975,678
Buildings and improvements	87,042,362	6,499,056	-	93,541,418
Machinery and equipment	12,007,983	559,055	(551,981)	12,015,057
Infrastructure	16,209,611	1,046,689	-	17,256,300
Total capital assets, being depreciated	<u>116,235,634</u>	<u>8,104,800</u>	<u>(551,981)</u>	<u>123,788,453</u>
Less accumulated depreciation and amortization for:				
Land improvements	686,635	17,427	-	704,062
Buildings and improvements	13,148,354	1,318,755	-	14,467,109
Machinery and equipment	7,405,616	561,809	(482,429)	7,484,996
Infrastructure	6,820,095	215,277	-	7,035,372
Total accumulated depreciation and amortization	<u>28,060,700</u>	<u>2,113,268</u>	<u>(482,429)</u>	<u>29,691,539</u>
Total capital assets, being depreciated, net	<u>88,174,934</u>	<u>5,991,532</u>	<u>(69,552)</u>	<u>94,096,914</u>
Governmental activities capital assets, net	<u>\$ 95,724,553</u>	<u>\$ 8,385,578</u>	<u>\$ (8,282,090)</u>	<u>\$ 95,828,041</u>

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

Governmental Activities:	
General government	\$ 144,322
Public safety	229,357
Public works	367,407
Recreation and leisure	40,932
Education	1,331,250
Total depreciation and amortization expense - governmental activities	<u>\$ 2,113,268</u>

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE D - CAPITAL ASSETS *(Continued)*

Capital asset activity for business-type activities for the year ended June 30, 2013 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,127,031	\$ -	\$ -	\$ 1,127,031
Construction in progress	729,287	35,519	(763,406)	1,400
Total capital assets, not being depreciated	<u>1,856,318</u>	<u>35,519</u>	<u>(763,406)</u>	<u>1,128,431</u>
Capital assets, being depreciated:				
Buildings and improvements	18,798,354	763,406	-	19,561,760
Distribution and collection systems	51,487,323	-	-	51,487,323
Machinery and equipment	12,274,216	680,413	(69,332)	12,885,297
Total capital assets, being depreciated	<u>82,559,893</u>	<u>1,443,819</u>	<u>(69,332)</u>	<u>83,934,380</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	5,634,773	394,623	-	6,029,396
Distribution and collection systems	15,417,301	770,043	-	16,187,344
Machinery and equipment	6,449,182	453,940	(64,230)	6,838,892
Total accumulated depreciation and amortization	<u>27,501,256</u>	<u>1,618,606</u>	<u>(64,230)</u>	<u>29,055,632</u>
Total capital assets, being depreciated, net	<u>55,058,637</u>	<u>(174,787)</u>	<u>(5,102)</u>	<u>54,878,748</u>
Business-type activities capital assets, net	<u>\$ 56,914,955</u>	<u>\$ (139,268)</u>	<u>\$ (768,508)</u>	<u>\$ 56,007,179</u>

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

Business-type Activities:	
Sewer department	\$ 1,323,422
Water department	295,184
Total depreciation and amortization expense - business-type activities	<u>\$ 1,618,606</u>

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Nonmajor governmental funds	\$ 154,925
	Bonded Projects Fund	1,016,881
	Sewer Department	13,445
	Water Department	1,039
		<u>1,186,290</u>
Public Safety Building Fund	General Fund	<u>95,516</u>
Nonmajor governmental funds	General Fund	1,155,991
		<u>\$ 2,437,797</u>
Proprietary Funds:		
Internal Service Fund	General Fund	\$ 5,876,153
Water Department	Sewer Department	751
		<u>\$ 5,876,904</u>

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

Interfund advances outstanding as of June 30, 2013 were as follows:

<u>Advanced From:</u>	<u>Advanced To:</u>	<u>Amount</u>
General Fund	Sewer Department	\$ 280,022

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
General Fund	Sewer Department	\$ 10,000
Other governmental funds	General Fund	688,839
	Other governmental funds	45,916
		<u>734,755</u>
Total transfers		<u>\$ 744,755</u>

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

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

Governmental Activities	Beginning Balance <i>(as adjusted per Note L)</i>	Increases	Decreases	Ending	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 35,552,600	\$ 19,820,000	\$ (11,888,400)	\$ 43,484,200	\$ 2,834,000
Bond anticipation notes	10,625,000	-	(10,625,000)	-	-
Unamortized premium	537,352	1,368,298	(89,301)	1,816,349	-
Total bonds payable	<u>46,714,952</u>	<u>21,188,298</u>	<u>(22,602,701)</u>	<u>45,300,549</u>	<u>2,834,000</u>
Other liabilities:					
Net OPEB obligation	-	12,552	-	12,552	-
Compensated absences	1,734,538	3,069	(102,259)	1,635,348	327,100
Early retirement incentive	177,269	121,539	(166,024)	132,784	78,022
Litigation judgments	550,000	-	(550,000)	-	-
Landfill closure	228,000	-	(19,000)	209,000	19,000
	<u>\$ 49,404,759</u>	<u>\$ 21,325,458</u>	<u>\$ (23,439,984)</u>	<u>\$ 47,290,233</u>	<u>\$ 3,258,122</u>
Business-type Activities					
Bonds payable:					
Sewer bonds	\$ 1,422,400	\$ 1,500,000	\$ (176,600)	\$ 2,745,800	\$ 211,000
Bond anticipation notes	1,500,000	-	(1,500,000)	-	-
Unamortized premium	121,198	-	(9,323)	111,875	-
Total bonds payable	<u>3,043,598</u>	<u>1,500,000</u>	<u>(1,685,923)</u>	<u>2,857,675</u>	<u>211,000</u>
Other liabilities:					
Capital lease obligation	-	334,678	(69,318)	265,360	64,595
Contract payable	2,077,073	-	(226,263)	1,850,810	218,261
Compensated absences	43,195	19,477	-	62,672	10,000
	<u>\$ 5,163,866</u>	<u>\$ 1,854,155</u>	<u>\$ (1,981,504)</u>	<u>\$ 5,036,517</u>	<u>\$ 503,856</u>

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE G - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes Payable

A summary of general obligation bonds and note payable outstanding at June 30, 2013 is as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
Governmental Activities					
Bonds Payable					
General Obligation Bonds	1988	\$ 7,310,000	6.25% - 7.0%	2015	\$ 430,000
General Obligation Bonds	1994	7,475,000	2.75% - 5.5%	2014	185,000
General Obligation Bonds	2004	10,070,000	2.5% - 4.5%	2024	1,120,000
General Obligation Bonds	2006	10,000,000	3.625% - 5.0%	2027	1,325,000
General Obligation Bonds	2007	6,300,000	3.7% - 4.5%	2028	3,780,000
General Obligation Bonds	2009	12,000,000	2.0% - 4.0%	2024	7,000,000
General Obligation Refunding Bonds	2010	2,212,600	2.0% - 4.0%	2022	2,104,200
General Obligation Refunding Bonds	2010	8,035,000	3.0% - 5.0%	2025	7,890,000
General Obligation Bonds	2012	10,625,000	2.125% - 5.0%	2033	10,625,000
General Obligation Refunding Bonds	2013	9,195,000	1.0% - 4.0%	2027	9,025,000
					\$ 43,484,200
Business-type Activities					
Bonds Payable					
General Obligation Bonds	1999	1,350,000	6.60%	2019	\$ 420,000
General Obligation Refunding Bonds	2010	1,042,400	2.0% - 4.0%	2019	825,800
General Obligation Bonds	2012	1,500,000	2.125% - 5.0%	2033	1,500,000
					\$ 2,745,800

Annual debt service requirements to maturity on general obligation bonds and the note payable are as follows as of June 30, 2013:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,834,000	\$ 1,546,392	\$ 4,380,392
2015	3,019,000	1,329,115	4,348,115
2016	3,022,700	1,235,197	4,257,897
2017	3,352,700	1,150,692	4,503,392
2018	3,344,500	1,050,143	4,394,643
2019-2023	17,191,300	3,310,896	20,502,196
2024-2028	8,570,000	828,573	9,398,573
2029-2033	2,150,000	161,250	2,311,250
	\$ 43,484,200	\$ 10,612,258	\$ 54,096,458

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE G - LONG-TERM LIABILITIES *(Continued)*

General Obligation Bonds and Notes Payable (Continued)

Year ending June 30:	Business-type Activities		
	Principal	Interest	Total
2014	\$ 211,000	\$ 125,499	\$ 336,499
2015	271,000	91,378	362,378
2016	297,300	81,041	378,341
2017	297,300	69,088	366,388
2018	295,500	55,945	351,445
2019-2023	653,700	151,394	805,094
2024-2028	370,000	76,995	446,995
2029-2033	350,000	26,250	376,250
	<u>\$ 2,745,800</u>	<u>\$ 677,590</u>	<u>\$ 3,423,390</u>

Refundings

On March 7, 2013, the Town issued \$9,195,000 in general obligation bonds with an average interest rate of 2.85% to refund outstanding bonds with an average rate of 4.00%. The bonds refunded were as follows: \$1,650,000 of outstanding 2004 general obligation bonds, \$4,975,000 of outstanding 2006 general obligation bonds, and \$2,000,000 of 2009 general obligation bonds. The net proceeds of \$9,704,878 (after payment of expenses of \$124,610) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by the United States of America, to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the statement of net position. The transactions generated a cash flow savings of \$429,279 and a present value savings of \$447,469.

At June 30, 2013, there is approximately \$9.5 million of bonds related to the 2013 issuance that are considered defeased but still outstanding.

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

At June 30, 2013, there is approximately \$8.5 million of bonds related to the 2010 issuance that are considered defeased but still outstanding.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE G - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes Payable (Continued)

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$271,595,380 as of June 30, 2013. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2013.

Authorized, Unissued Bonds

As of June 30, 2013, the Town had authorized but unissued bonds totaling \$4,600,500.

Early Retirement Incentive

The Board of Education provides early retirement incentive benefits to 5 former employees. Benefits are paid annually based on the retirement agreement for each employee. Benefits are payable through 2016. The amount paid from general fund appropriations during the year ended June 30, 2013 was \$166,024.

Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill post-closure care costs is \$209,000 as of June 30, 2013, which is based on 100% usage of the landfill. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2013. However, post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Capital Lease Obligation

A summary of assets acquired through capital lease is as follows as of June 30, 2013:

	Business-type Activities
Machinery and equipment	\$ 334,678
Less: accumulated amortization	15,339
	<u>\$ 319,339</u>

Amortization expense relative to leased property under the capital lease totaled \$15,339 for the year ended June 30, 2013 and is included in depreciation and amortization expense disclosed in Note D.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE G - LONG-TERM LIABILITIES *(Continued)*

Capital Lease Obligation *(Continued)*

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 is as follows:

<u>Year ending June 30:</u>	<u>Business-type Activities</u>
2014	\$ 69,318
2015	69,318
2016	69,318
2107	69,318
Total minimum lease payments	<u>277,272</u>
Less: amount representing interest	<u>(11,912)</u>
Present value of minimum lease payments	<u>\$ 265,360</u>

Contract Payable

The Town has entered into a long-term contract with the Mohegan Tribal Utility Authority in connection with its portion of costs from a Regional Water Extension Project. Such amount payable totals \$1,850,810, of which \$746,540 is owed by the Town and \$1,104,270 is owed by other parties. The Town has recorded \$1,091,322 as a receivable as of June 30, 2013, as the Town is collecting the debt payments to be remitted per terms of the agreement. The maturity date of the entire contract is September 2018.

NOTE H - RETIREMENT PLANS

Connecticut Municipal Employees' Retirement Fund B

Plan Description and Benefit Provisions

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE H - RETIREMENT PLANS *(Continued)*

Connecticut Municipal Employees' Retirement Fund B *(Continued)*

Contributions

Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 11.79% of the annual Town employee covered payroll and 16.65% of the annual Police Department covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to the MERF for the years ended June 30, 2013, 2012 and 2011 were \$785,150, \$652,260, and \$612,864, respectively, and were equal to the required contributions for each year.

Teacher' Retirement System

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

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2013, Town teachers contributed \$1,291,901 to the plan and covered payroll for the year was \$17,819,324.

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on behalf" payments of \$3,736,712 made by the State of Connecticut into the plan as intergovernmental revenues and education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

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

Funding Policy

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 104,777
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	104,777
Contributions made	92,225
Increase in net OPEB obligation	12,552
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 12,552

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Annual OPEB Cost and Net OPEB Obligation

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 121,080	100.0%	\$ -
2012	112,204	100.0%	-
2013	104,777	88.0%	12,552

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 (the date of the most recent actuarial valuation) was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	(Unfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 1,284,731	\$ (1,284,731)	0.0%	N/A	N/A

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

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

Actuarial Methods and Assumptions

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

Valuation date:	July 1, 2012
Actuarial cost method:	Entry Age Actuarial Cost Method
Amortization method:	Level Dollar Amount, Closed
Remaining amortization period:	25.69 years
Asset valuation method:	N/A
Actuarial assumptions:	
Inflation rate	2.5%
Interest rate	4.0%
Healthcare cost trend rate	9.0% initial 5.0% final

NOTE J - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. During 2013, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

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

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2013. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements *(Continued)*

June 30, 2013

NOTE J - RISK MANAGEMENT *(Continued)*

A summary of claims activity for the years ended June 30, 2012 and 2013 is as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2012	\$ 495,998	\$ 5,696,162	\$ 5,754,988	\$ 437,172
2013	437,172	5,801,171	5,833,103	405,240

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

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

NOTE K - COMMITMENTS AND CONTINGENCIES

There are several lawsuits pending against the Town. The Town's management believes it has meritorious defenses against these lawsuits and estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial condition of the Town.

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

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

As of June 30, 2013, the Town has recorded \$1,432,291 in encumbrances. Such encumbrances have been included as part of the assigned fund balance designation in accordance with the provisions of GASB Statement No. 54.

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE L – IMPLEMENTATION OF NEW PRONOUNCEMENTS

The Town has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective July 1, 2012. GASB Statement No. 63 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 results in the reclassification of certain financial statement line items on the statement of net position and balance sheet. In addition to reclassifications to these new categories, GASB No. 65 has also resulted in a change to the accounting treatment for certain items, including debt issuance costs.

Net position as of July 1, 2012 has been restated as follows:

	Government-wide Financial Statements		Fund Financial Statements
	Governmental Activities	Business-type Activities	Major Sewer Fund
Net position - beginning, as originally reported	\$ 64,556,428	\$ 57,961,453	\$ 45,980,753
Expense unamortized bond issuance costs	(120,546)	(12,263)	(12,263)
Recalculate deferred amount on refunding due to removal of unamortized bond issuance costs	(21,224)	50,897	50,897
Net position - beginning, as restated	<u>\$ 64,414,658</u>	<u>\$ 58,000,087</u>	<u>\$ 46,019,387</u>

NOTE M - RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

TOWN OF MONTVILLE, CONNECTICUT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE M - RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

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

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

Required
Supplementary
Information

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULES OF FUNDING PROGRESS - UNAUDITED
 JUNE 30, 2013

Other Post Employment Benefits Program

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2008	\$ -	\$ 924,746	\$ 924,746	0.0%	N/A	N/A
July 1, 2010	-	823,001	823,001	0.0%	N/A	N/A
July 1, 2012	-	1,284,731	1,284,731	0.0%	N/A	N/A

Combining and
Individual Fund
Statements and
Schedules

General Fund

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PROPERTY TAXES				
Revenues from property taxes	\$ 36,310,999	\$ 36,310,999	\$ 38,822,209	\$ 2,511,210
Telephone access	60,369	60,369	56,317	(4,052)
Interest and lien fees	260,000	260,000	368,195	108,195
Total property taxes	36,631,368	36,631,368	39,246,721	2,615,353
INTERGOVERNMENTAL REVENUES				
State grants for school aid:				
ECS grant	12,715,670	12,715,670	12,667,478	(48,192)
Transportation	358,110	358,110	348,637	(9,473)
Special education	170,000	170,000	317,291	147,291
Adult education	33,776	33,776	32,878	(898)
Total state grants for school aid	13,277,556	13,277,556	13,366,284	88,728
State grants unspecified:				
In lieu of taxes - State property	907,956	907,956	951,415	43,459
Emergency management program	9,000	9,000	9,955	955
Tax relief for elderly	106,000	106,000	107,124	1,124
Tax relief for disabled	3,000	3,000	3,667	667
Tax relief for veterans	7,400	7,400	8,710	1,310
Manufacturers assistance grant	-	-	516,381	516,381
Other grants	30,000	30,000	41,117	11,117
CT Fines reimbursement	12,000	12,000	18,787	6,787
Elect restructuring grant	299,398	299,398	328,402	29,004
Pequot funds	1,807,949	1,807,949	1,790,687	(17,262)
State boat grant	8,000	8,000	-	(8,000)
FEMA grant	-	-	165,444	165,444
Total state grants unspecified	3,190,703	3,190,703	3,941,689	750,986
Total intergovernmental revenues	16,468,259	16,468,259	17,307,973	839,714
CHARGES FOR SERVICES				
Licenses and permits:				
Conveyance tax	80,000	80,000	95,959	15,959
Town clerk fees	100,000	100,000	124,338	24,338
Dog licenses	1,500	1,500	6,660	5,160
Dog warden	1,000	1,000	1,636	636
Building department	180,000	180,000	145,788	(34,212)
Miscellaneous permits	9,000	9,000	15,450	6,450
Fire permits	80,000	80,000	63,204	(16,796)
Transfer station	224,000	224,000	179,034	(44,966)
Total licenses and permits	675,500	675,500	632,069	(43,431)
Revenue from other agencies:				
Planning and zoning and zoning board of appeals	5,000	5,000	7,227	2,227
Parks and recreations	74,360	74,360	80,085	5,725
Camp oakdale rent	2,200	2,200	5,580	3,380
Fair oaks facility rental	500	500	2,380	1,880
Housing authority	25,000	25,000	29,461	4,461
Youth service program	37,806	37,806	33,412	(4,394)
Total revenue from other agencies	144,866	144,866	158,145	13,279

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Concluded)*

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
CHARGES FOR SERVICES <i>(Continued)</i>				
Charges for current services:				
Use of property	\$ 500	\$ 500	\$ -	\$ (500)
Tuition regular	125,000	125,000	90,171	(34,829)
Tuition special education	150,000	150,000	187,790	37,790
School miscellaneous revenue	2,000	2,000	5,932	3,932
Personal property audits	-	-	163,103	163,103
Public works department	1,500	1,500	939	(561)
Commercial tipping fees	420,000	420,000	381,450	(38,550)
Assessor's office	2,000	2,000	1,730	(270)
Total charges for current services	<u>701,000</u>	<u>701,000</u>	<u>831,115</u>	<u>130,115</u>
Miscellaneous:				
St. Bernard's health service	17,747	17,747	21,733	3,986
Police reimbursement	135,000	135,000	142,939	7,939
Insurance reimbursement	25,000	25,000	16,321	(8,679)
Millstone reimbursement	20,000	20,000	981	(19,019)
Fire marshal private duty	5,000	5,000	3,789	(1,211)
All other miscellaneous	50,000	50,000	36,562	(13,438)
Sale of assets	50,000	50,000	53,172	3,172
Bond premium and interest	-	-	546,085	546,085
Mohegan contributions	500,000	500,000	500,000	-
WPCA rental	11,000	11,000	11,000	-
Engineering review reimbursement	1,000	1,000	-	(1,000)
Total miscellaneous	<u>814,747</u>	<u>814,747</u>	<u>1,332,582</u>	<u>517,835</u>
Total charges for services	<u>2,336,113</u>	<u>2,336,113</u>	<u>2,953,911</u>	<u>617,798</u>
REVENUE FROM USE OF TOWN MONEY				
Investment interest	35,000	35,000	32,563	(2,437)
Sewer assessments	140,400	140,400	163,379	22,979
Water assessments	-	-	4,653	4,653
Total revenue from use of Town money	<u>175,400</u>	<u>175,400</u>	<u>200,595</u>	<u>25,195</u>
Total revenues	<u>55,611,140</u>	<u>55,611,140</u>	<u>59,709,200</u>	<u>4,098,060</u>
OTHER FINANCING SOURCES				
Cancellation of prior year encumbrances	-	-	77,388	77,388
Appropriation of fund balance	-	503,768	-	(503,768)
Transfers in - WPCA Financial Services	10,000	10,000	10,000	-
Total other financing sources	<u>10,000</u>	<u>513,768</u>	<u>87,388</u>	<u>(426,380)</u>
Total revenues and other financing sources	<u>\$ 55,621,140</u>	<u>\$ 56,124,908</u>	<u>\$ 59,796,588</u>	<u>\$ 3,671,680</u>

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF EXPENDITURES
 BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
Mayor:				
Human services	\$ 113,603	\$ 120,603	\$ 119,199	\$ (1,404)
Contractual services	49,100	48,787	42,994	(5,793)
Commodities	5,700	6,013	5,495	(518)
Total mayor	<u>168,403</u>	<u>175,403</u>	<u>167,688</u>	<u>(7,715)</u>
Town council:				
Human services	21,500	19,752	18,363	(1,389)
Commodities	7,750	9,498	7,229	(2,269)
Total town council	<u>29,250</u>	<u>29,250</u>	<u>25,592</u>	<u>(3,658)</u>
Town attorney	<u>340,000</u>	<u>340,000</u>	<u>208,537</u>	<u>(131,463)</u>
Town hall / central services:				
Contractual services	142,500	155,622	155,238	(384)
Commodities	55,000	60,323	60,289	(34)
Capital	500	205	205	-
Total town hall / central services	<u>198,000</u>	<u>216,150</u>	<u>215,732</u>	<u>(418)</u>
Probate court	<u>13,403</u>	<u>13,403</u>	<u>13,403</u>	<u>-</u>
Finance department:				
Human services	528,790	525,924	521,725	(4,199)
Contractual services	63,000	99,461	99,254	(207)
Commodities	17,100	18,505	15,788	(2,717)
Total finance department	<u>608,890</u>	<u>643,890</u>	<u>636,767</u>	<u>(7,123)</u>
Insurance and taxes	<u>3,241,184</u>	<u>3,301,184</u>	<u>3,207,389</u>	<u>(93,795)</u>
Board of assessment appeals:				
Human services	1,000	1,000	621	(379)
Commodities	300	300	-	(300)
Total board of assessment appeals	<u>1,300</u>	<u>1,300</u>	<u>621</u>	<u>(679)</u>
Auditor	<u>25,000</u>	<u>25,000</u>	<u>15,500</u>	<u>(9,500)</u>
Other	<u>177,000</u>	<u>77,050</u>	<u>58,981</u>	<u>(18,069)</u>
Town clerk:				
Human services	122,762	122,802	122,801	(1)
Contractual services	150	150	120	(30)
Commodities	18,900	18,860	14,220	(4,640)
Total town clerk	<u>141,812</u>	<u>141,812</u>	<u>137,141</u>	<u>(4,671)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Registrar of voters:				
Human services	\$ 35,900	\$ 35,900	\$ 35,898	\$ (2)
Contractual services	230	230	192	(38)
Commodities	1,700	1,700	1,563	(137)
Total registrar of voters	<u>37,830</u>	<u>37,830</u>	<u>37,653</u>	<u>(177)</u>
Elections / referendum:				
Contractual services	27,088	27,088	22,496	(4,592)
Commodities	13,200	13,200	6,802	(6,398)
Total elections / referendum	<u>40,288</u>	<u>40,288</u>	<u>29,298</u>	<u>(10,990)</u>
Land use department:				
Human services	234,534	231,252	214,710	(16,542)
Contractual services	600	600	200	(400)
Commodities	16,500	15,649	6,796	(8,853)
Capital	250	4,133	2,903	(1,230)
Total land use department	<u>251,884</u>	<u>251,634</u>	<u>224,609</u>	<u>(27,025)</u>
Inlands wetlands commission:				
Human services	800	995	961	(34)
Commodities	50	50	50	-
Total inlands wetlands commission	<u>850</u>	<u>1,045</u>	<u>1,011</u>	<u>(34)</u>
Economic development commission:				
Human services	500	500	-	(500)
Commodities	300	300	60	(240)
Total economic development commission	<u>800</u>	<u>800</u>	<u>60</u>	<u>(740)</u>
Building board of appeals	50	50	-	(50)
Zoning board of appeals:	600	600	455	(145)
Senior Center:				
Human services	140,550	141,069	140,077	(992)
Contractual services	34,500	33,107	29,748	(3,359)
Commodities	13,115	13,989	13,559	(430)
Total senior center	<u>188,165</u>	<u>188,165</u>	<u>183,384</u>	<u>(4,781)</u>
Youth services:				
Human services	142,394	142,176	137,928	(4,248)
Contractual services	44,425	44,680	37,057	(7,623)
Commodities	5,480	5,443	3,899	(1,544)
Total youth services	<u>192,299</u>	<u>192,299</u>	<u>178,884</u>	<u>(13,415)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Private duty	\$ 125,000	\$ 125,000	\$ 94,305	\$ (30,695)
Building inspector:				
Human services	165,955	167,605	167,148	(457)
Contractual services	400	400	247	(153)
Commodities	3,550	1,900	1,153	(747)
Capital	400	400	-	(400)
Total building inspector	<u>170,305</u>	<u>170,305</u>	<u>168,548</u>	<u>(1,757)</u>
Information technology:				
Human services	73,796	73,796	73,513	(283)
Contractual services	220,800	220,800	216,763	(4,037)
Commodities	3,360	3,360	3,350	(10)
Total information technology	<u>297,956</u>	<u>297,956</u>	<u>293,626</u>	<u>(4,330)</u>
Total general government	<u>6,250,269</u>	<u>6,270,414</u>	<u>5,899,184</u>	<u>(371,230)</u>
PUBLIC SAFETY				
Emergency management:				
Human services	72,582	72,582	71,378	(1,204)
Contractual services	15,000	15,000	14,157	(843)
Commodities	3,285	3,285	2,280	(1,005)
Total emergency management	<u>90,867</u>	<u>90,867</u>	<u>87,815</u>	<u>(3,052)</u>
Police department:				
Human services	1,729,995	1,747,099	1,746,798	(301)
Contractual services	136,778	143,362	140,031	(3,331)
Commodities	48,750	66,533	61,858	(4,675)
Capital	18,500	10,729	8,909	(1,820)
Total police department	<u>1,934,023</u>	<u>1,967,723</u>	<u>1,957,596</u>	<u>(10,127)</u>
Fire marshal:				
Human services	81,049	84,301	84,298	(3)
Commodities	4,935	4,483	3,571	(912)
Total fire marshal	<u>85,984</u>	<u>88,784</u>	<u>87,869</u>	<u>(915)</u>
Animal control:				
Human services	52,155	52,497	52,473	(24)
Contractual services	2,635	3,959	3,259	(700)
Commodities	4,055	4,014	3,174	(840)
Total animal control	<u>4,260</u>	<u>60,470</u>	<u>58,906</u>	<u>(1,564)</u>
Public safety commission:				
Human services	2,500	2,500	842	(1,658)
Commodities	100	100	-	(100)
Total public safety commission	<u>2,600</u>	<u>2,600</u>	<u>842</u>	<u>(1,758)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
Dispatch:				
Human services	\$ 279,390	\$ 279,390	\$ 269,789	\$ (9,601)
Commodities	6,050	6,050	3,533	(2,517)
Total dispatch	<u>285,440</u>	<u>285,440</u>	<u>273,322</u>	<u>(12,118)</u>
Fire protection:				
Human services	714,240	714,239	676,020	(38,219)
Contractual services	371,587	371,588	370,787	(801)
Commodities	75,300	75,300	68,009	(7,291)
Total fire protection	<u>1,161,127</u>	<u>1,161,127</u>	<u>1,114,816</u>	<u>(46,311)</u>
Public safety building:				
Contractual services	47,500	76,205	74,729	(1,476)
Commodities	1,000	2,295	2,295	-
Total public safety building	<u>48,500</u>	<u>78,500</u>	<u>77,024</u>	<u>(1,476)</u>
Total public safety	<u>3,669,011</u>	<u>3,735,511</u>	<u>3,658,190</u>	<u>(77,321)</u>
PUBLIC WORKS				
Public works:				
Human services	1,197,307	1,169,911	1,167,029	(2,882)
Contractual services	409,950	480,735	473,903	(6,832)
Commodities	589,200	621,110	571,823	(49,287)
Capital	6,600	8,901	8,646	(255)
Total public works	<u>2,203,057</u>	<u>2,280,657</u>	<u>2,221,401</u>	<u>(59,256)</u>
Camp oakdale:				
Contractual services	46,300	44,961	42,601	(2,360)
Commodities	11,500	13,339	12,059	(1,280)
Capital	500	500	372	
Total camp oakdale	<u>58,300</u>	<u>58,800</u>	<u>55,032</u>	<u>(3,768)</u>
Solid waste:				
Human services	130,373	131,433	126,973	(4,460)
Contractual services	874,700	862,565	805,225	(57,340)
Commodities	32,200	38,250	30,634	(7,616)
Capital	3,000	8,025	8,025	-
Total solid waste	<u>1,040,273</u>	<u>1,040,273</u>	<u>970,857</u>	<u>(69,416)</u>
Engineering services	<u>105,000</u>	<u>110,000</u>	<u>109,978</u>	<u>(22)</u>
Total public works	<u>3,406,630</u>	<u>3,489,730</u>	<u>3,357,268</u>	<u>(132,462)</u>
HEALTH AND WELFARE				
Contractual services	168,631	178,240	178,209	(31)
Commodities	700	691	554	(137)
Total health and welfare	<u>169,331</u>	<u>178,931</u>	<u>178,763</u>	<u>(168)</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Concluded)*

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
SOCIAL SERVICES				
Human services	\$ 30,031	\$ 29,779	\$ 29,063	\$ (716)
Contractual services	2,650	2,902	2,508	(394)
Commodities	550	550	514	(36)
Total social services	<u>33,231</u>	<u>33,231</u>	<u>32,085</u>	<u>(1,146)</u>
RECREATION AND LEISURE				
Recreation:				
Human services	168,483	173,107	172,978	(129)
Contractual services	775	1,533	1,531	(2)
Commodities	27,335	24,685	23,842	(843)
Capital	600	368	360	(8)
Total recreation	<u>197,193</u>	<u>199,693</u>	<u>198,711</u>	<u>(982)</u>
Fair oaks building	<u>35,800</u>	<u>35,800</u>	<u>31,420</u>	<u>(4,380)</u>
Parks and recreation commission:				
Human services	2,500	2,500	417	(2,083)
Commission	150	150	-	(150)
Total parks and recreation commission	<u>2,650</u>	<u>2,650</u>	<u>417</u>	<u>(2,233)</u>
Total recreation and leisure	<u>235,643</u>	<u>238,143</u>	<u>230,548</u>	<u>(7,595)</u>
MISCELLANEOUS				
Donations to organizations	58,000	58,000	57,759	(241)
Commission on aging	100	100	-	(100)
Total miscellaneous	<u>58,100</u>	<u>58,100</u>	<u>57,759</u>	<u>(341)</u>
EDUCATION	<u>36,632,735</u>	<u>36,632,735</u>	<u>36,435,558</u>	<u>(197,177)</u>
CAPITAL OUTLAY	<u>638,200</u>	<u>638,200</u>	<u>638,200</u>	<u>-</u>
DEBT SERVICE				
Redemption of debt - principal	3,093,400	3,093,400	3,263,400	170,000
Interest payments	1,434,590	1,281,190	1,103,045	(178,145)
Total debt service	<u>4,527,990</u>	<u>4,374,590</u>	<u>4,366,445</u>	<u>(8,145)</u>
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>475,323</u>	<u>475,323</u>	<u>-</u>
Total expenditures and other financing sources	<u>\$ 55,621,140</u>	<u>\$ 56,124,908</u>	<u>\$ 55,329,323</u>	<u>\$ (795,585)</u>

(Concluded)

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
 FOR THE YEAR ENDED JUNE 30, 2013

Grand List Year	Balance Uncollected June 30, 2012	Current Levy	Lawful Corrections		Transfers To Suspense	Balance To Be Collected	Collections			Balance Uncollected June 30, 2013
			Additions	Deductions			Taxes	Interest, Liens and Fees	Total	
1996	\$ 7,329	\$ -	\$ -	\$ 7,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997	13,067	-	-	-	-	13,067	-	-	-	13,067
1998	13,318	-	-	-	-	13,318	-	-	-	13,318
1999	8,930	-	-	-	-	8,930	-	-	-	8,930
2000	10,533	-	-	-	-	10,533	-	-	-	10,533
2001	13,992	-	-	-	-	13,992	-	-	-	13,992
2002	13,403	-	-	-	-	13,403	-	-	-	13,403
2003	14,596	-	-	-	-	14,596	1,836	2,354	4,190	12,760
2004	18,122	-	-	-	-	18,122	1,820	2,305	4,125	16,302
2005	23,760	-	-	-	-	23,760	4,995	4,514	9,509	18,765
2006	26,249	-	-	48	-	26,201	4,872	4,682	9,554	21,329
2007	85,708	-	-	382	43,482	41,844	9,771	6,680	16,451	32,073
2008	143,136	-	48,204	4,061	-	187,279	59,468	38,347	97,815	127,811
2009	301,501	-	66,358	80,808	-	287,051	77,229	66,648	143,877	209,822
2010	1,974,318	-	65,259	94,973	-	1,944,604	1,521,174	78,710	1,599,884	423,430
2011	-	38,212,245	1,188,179	1,805,559	-	37,594,865	36,735,621	178,314	36,913,935	859,244
	<u>\$ 2,667,962</u>	<u>\$ 38,212,245</u>	<u>\$ 1,368,000</u>	<u>\$ 1,993,160</u>	<u>\$ 43,482</u>	<u>\$ 40,211,565</u>	<u>\$ 38,416,786</u>	<u>\$ 382,554</u>	<u>\$ 38,799,340</u>	<u>\$ 1,794,779</u>

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2013

Total cash collections for the year ended
June 30, 2013:

Taxes	\$ 38,416,786
Interest and lien fees	382,554
Total	<u>38,799,340</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	-
Base	<u>\$ 38,799,340</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 87,298,515	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	174,597,030	-	-	-
3-3/4 times base	-	-	145,497,525	-	-
3-1/4 times base	-	-	-	126,097,855	-
3 times base	-	-	-	-	116,398,020
Total debt limitation	<u>87,298,515</u>	<u>174,597,030</u>	<u>145,497,525</u>	<u>126,097,855</u>	<u>116,398,020</u>
Indebtedness:					
Bonds payable	37,259,200	6,225,000	2,745,800	-	-
Authorized but unissued bonds	700,000	3,900,500	-	-	-
Total indebtedness	<u>37,959,200</u>	<u>10,125,500</u>	<u>2,745,800</u>	<u>-</u>	<u>-</u>
Less: assessments receivable	69,088	-	-	-	-
Less: School construction grants receivable	-	1,213,931	-	-	-
Net indebtedness	<u>37,890,112</u>	<u>8,911,569</u>	<u>2,745,800</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 49,408,403</u>	<u>\$ 165,685,461</u>	<u>\$ 142,751,725</u>	<u>\$ 126,097,855</u>	<u>\$ 116,398,020</u>
Total capacity of borrowing (7 times base)	\$ 271,595,380				
Total present indebtedness	49,547,481				
Margin for additional borrowing	<u>\$ 222,047,899</u>				

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE II
FOR THE YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 3,274,736	\$ 61	\$ 1,424	\$ 3,273,373	\$ 422,036	\$ 258,863	\$ 680,899	\$ 2,851,337
2003	2,851,337	-	4,108	2,847,229	466,519	297,766	764,285	2,380,710
2004	2,380,710	65	3,584	2,377,191	323,598	165,781	489,379	2,053,593
2005	2,053,593	218	-	2,053,811	299,662	138,690	438,352	1,754,149
2006	1,754,149	24	46,244	1,707,929	367,903	225,632	593,535	1,340,026
2007	1,340,026	142	-	1,340,168	260,239	91,784	352,023	1,079,929
2008	1,079,929	-	2,702	1,077,227	211,382	74,600	285,982	865,845
2009	865,845	-	4,106	861,739	184,117	64,108	248,225	677,622
2010	677,480	-	175	677,305	189,341	41,507	230,848	487,964
2011	488,106	20	-	488,126	154,173	31,885	186,058	333,953
2012	333,953	-	20	333,933	138,002	25,776	163,778	195,931
2013	\$ 195,931	\$ -	\$ 1,338	\$ 194,593	\$ 134,573	\$ 21,363	\$ 155,936	\$ 60,020

TOWN OF MONTVILLE, CONNECTICUT

SCHEDULE OF SEWER ASSESSMENT COLLECTIONS - PHASE IIA
FOR THE YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 203,539	\$ -	\$ -	\$ 203,539	\$ 22,693	\$ 15,208	\$ 37,901	\$ 180,846
2003	180,846	-	-	180,846	20,749	11,254	32,003	160,097
2004	160,097	-	-	160,097	22,840	11,871	34,711	137,257
2005	137,257	-	-	137,257	17,092	8,130	25,222	120,165
2006	120,165	-	-	120,165	23,957	21,204	45,161	96,208
2007	96,208	-	-	96,208	16,881	6,830	23,711	79,327
2008	79,327	-	-	79,327	20,622	9,200	29,822	58,705
2009	58,705	-	-	58,705	13,176	3,462	16,638	45,529
2010	45,529	-	-	45,529	11,755	2,347	14,102	33,774
2011	33,774	-	-	33,774	18,367	11,218	29,585	15,407
2012	15,407	165	-	15,572	12,344	1,682	14,026	3,228
2013	\$ 3,228	\$ -	\$ -	\$ 3,228	\$ 1,202	\$ 401	\$ 1,603	\$ 2,026

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF WATER ASSESSMENT COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 154,830	\$ -	\$ -	\$ 154,830	\$ 25,828	\$ 25,551	\$ 51,379	\$ 129,002
2003	129,002	-	-	129,002	77,303	52,540	129,843	51,699
2004	51,699	-	-	51,699	16,625	6,249	22,874	35,074
2005	35,074	-	8,261	26,813	1,388	1,098	2,486	25,425
2006	25,425	3	-	25,428	22,489	31,541	54,030	2,939
2007	2,939	-	-	2,939	66	5	71	2,873
2008	2,873	-	-	2,873	-	-	-	2,873
2009	2,873	-	-	2,873	-	-	-	2,873
2010	2,873	-	-	2,873	-	-	-	2,873
2011	2,873	-	-	2,873	-	-	-	2,873
2012	2,873	-	-	2,873	-	-	-	2,873
2013	\$ 2,873	\$ -	\$ -	\$ 2,873	\$ -	\$ -	\$ -	\$ 2,873

TOWN OF MONTVILLE, CONNECTICUT
 SCHEDULE OF WATER ASSESSMENT COLLECTIONS- PHASE IV
 FOR THE YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Uncollected Assessments at Beginning of Year	Corrections		Adjusted Assessments Collectible	Collections			Uncollected Assessments at Year End
		Additions	Deductions		Assessments Collected	Interest and Lien Fees	Total	
2002	\$ 154,119	\$ -	\$ -	\$ 154,119	\$ 15,255	\$ 7,520	\$ 22,775	\$ 138,864
2003	138,864	-	-	138,864	18,057	5,775	23,832	120,807
2004	120,807	-	-	120,807	11,026	4,686	15,712	109,781
2005	109,781	-	-	109,781	12,041	4,836	16,877	97,740
2006	97,740	-	14,521	83,219	26,527	13,500	40,027	56,692
2007	56,692	-	-	56,692	10,359	2,638	12,997	46,333
2008	46,333	-	-	46,333	8,714	1,896	10,610	37,619
2009	37,619	-	-	37,619	12,898	1,829	14,727	24,721
2010	24,721	-	-	24,721	8,811	1,720	10,531	15,910
2011	15,910	82	-	15,992	9,319	1,528	10,847	6,673
2012	6,673	-	-	6,673	537	268	805	6,136
2013	\$ 6,136	\$ -	\$ -	\$ 6,136	\$ 1,967	\$ 2,686	\$ 4,653	\$ 4,169

Nonmajor
Governmental
Funds

TOWN OF MONTVILLE, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Nonmajor Special Revenue Funds					
	Town Aid Road Fund	Hot Lunch Program Fund	Special Education Grants Fund	Social Services Fund	Youth Service Bureau Fund	Learn Not to Burn Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ 239,318	\$ 70,239	\$ -	\$ -	\$ -
Receivables:						
Intergovernmental	-	85,544	7,013	-	-	-
Other	-	4,355	-	-	-	-
Due from other funds	197,291	-	-	191,562	15,583	734
Inventories	-	24,446	-	-	-	-
Total assets	<u>\$ 197,291</u>	<u>\$ 353,663</u>	<u>\$ 77,252</u>	<u>\$ 191,562</u>	<u>\$ 15,583</u>	<u>\$ 734</u>
LIABILITIES						
Accounts payable	\$ -	\$ 31,787	\$ -	\$ 1,486	\$ 591	\$ -
Due to funding source	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Unearned revenue - grant proceeds	163,621	-	77,252	-	-	-
Total liabilities	<u>163,621</u>	<u>31,787</u>	<u>77,252</u>	<u>1,486</u>	<u>591</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventory	-	24,446	-	-	-	-
Restricted for:						
Grant program purposes	33,670	-	-	-	-	-
External	-	-	-	-	-	734
Committed to:						
General government	-	-	-	190,076	14,992	-
Recreation	-	-	-	-	-	-
Education	-	297,430	-	-	-	-
Capital projects	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	<u>33,670</u>	<u>321,876</u>	<u>-</u>	<u>190,076</u>	<u>14,992</u>	<u>734</u>
Total liabilities and fund balances (deficits)	<u>\$ 197,291</u>	<u>\$ 353,663</u>	<u>\$ 77,252</u>	<u>\$ 191,562</u>	<u>\$ 15,583</u>	<u>\$ 734</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS *(Continued)*

JUNE 30, 2013

	Nonmajor Special Revenue Funds				Nonmajor Capital Project Funds		
	Town Historic Preservation Fund	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation	Total Special Revenue Funds	LOCIP Fund	Capital Nonrecurring Fund
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 309,557	\$ -	\$ 162,995
Receivables:							
Intergovernmental	-	-	-	-	92,557	-	-
Other	-	-	-	-	4,355	-	-
Due from other funds	10,201	7,419	29,244	5,018	457,052	89,627	-
Inventories	-	-	-	-	24,446	-	-
Total assets	<u>\$ 10,201</u>	<u>\$ 7,419</u>	<u>\$ 29,244</u>	<u>\$ 5,018</u>	<u>\$ 887,967</u>	<u>\$ 89,627</u>	<u>\$ 162,995</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 299	\$ 161	\$ 34,324	\$ -	\$ -
Due to funding source	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue - grant proceeds	-	-	-	-	240,873	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>299</u>	<u>161</u>	<u>275,197</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)							
Nonspendable:							
Inventory	-	-	-	-	24,446	-	-
Restricted for:							
Grant program purposes	-	-	-	-	33,670	89,627	-
External	-	7,419	-	4,857	13,010	-	-
Committed to:							
General government	10,201	-	-	-	215,269	-	-
Recreation	-	-	28,945	-	28,945	-	-
Education	-	-	-	-	297,430	-	-
Capital projects	-	-	-	-	-	-	162,995
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>10,201</u>	<u>7,419</u>	<u>28,945</u>	<u>4,857</u>	<u>612,770</u>	<u>89,627</u>	<u>162,995</u>
Total liabilities and fund balances (deficits)	<u>\$ 10,201</u>	<u>\$ 7,419</u>	<u>\$ 29,244</u>	<u>\$ 5,018</u>	<u>\$ 887,967</u>	<u>\$ 89,627</u>	<u>\$ 162,995</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2013

	Nonmajor Capital Project Funds					
	Capital Projects Fund	Palmertown Water Project Phase 2 Fund	Bonded Fund	Black Ash Swamp Road Fund	Open Space Fund	Community Center Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:						
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other funds	603,376	-	-	-	5,000	936
Inventories	-	-	-	-	-	-
Total assets	<u>\$ 603,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 936</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to funding source	-	-	-	-	-	936
Due to other funds	-	58,237	10,737	-	-	-
Unearned revenue - grant proceeds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>58,237</u>	<u>10,737</u>	<u>-</u>	<u>-</u>	<u>936</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventory	-	-	-	-	-	-
Restricted for:						
Grant program purposes	-	-	-	-	-	-
External	-	-	-	-	-	-
Committed to:						
General government	-	-	-	-	-	-
Education	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital projects	603,376	-	-	-	5,000	-
Unassigned	-	(58,237)	(10,737)	-	-	-
Total fund balances (deficits)	<u>603,376</u>	<u>(58,237)</u>	<u>(10,737)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total liabilities and fund balances (deficits)	<u>\$ 603,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 936</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*
 JUNE 30, 2013

	Nonmajor Capital Project Funds					
	Bridges Fund	Sewer SEP Fund	Energy Efficiency Fund	Bridge St. Remediation Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 162,995	\$ 472,552
Receivables:						
Intergovernmental	16,572	-	-	70,801	87,373	179,930
Other	-	-	-	-	-	4,355
Due from other funds	-	-	-	-	698,939	1,155,991
Inventories	-	-	-	-	-	24,446
Total assets	<u>\$ 16,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,801</u>	<u>\$ 949,307</u>	<u>\$ 1,837,274</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,324
Due to funding source	-	-	-	-	936	936
Due to other funds	15,150	-	-	70,801	154,925	154,925
Unearned revenue - grant proceeds	-	-	-	-	-	240,873
Total liabilities	<u>15,150</u>	<u>-</u>	<u>-</u>	<u>70,801</u>	<u>155,861</u>	<u>431,058</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventory	-	-	-	-	-	24,446
Restricted for:						
Grant program purposes	1,422	-	-	-	91,049	124,719
External	-	-	-	-	-	13,010
Committed to:						
General government	-	-	-	-	-	215,269
Recreation	-	-	-	-	-	28,945
Education	-	-	-	-	-	297,430
Capital projects	-	-	-	-	771,371	771,371
Unassigned	-	-	-	-	(68,974)	(68,974)
Total fund balances (deficits)	<u>1,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,446</u>	<u>1,406,216</u>
Total liabilities and fund balances (deficits)	<u>\$ 16,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,801</u>	<u>\$ 949,307</u>	<u>\$ 1,837,274</u>

TOWN OF MONTVILLE, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Special Revenue Funds					
	Town Aid Road Fund	Hot Lunch Program Fund	Special Education Grants Fund	Social Services Fund	Youth Service Bureau Fund	Learn Not to Burn Fund
REVENUES						
Intergovernmental	\$ -	\$ 530,582	\$ 919,880	\$ 56,363	\$ -	\$ -
Charges for services	-	441,230	-	24,345	24,732	-
Donations	-	-	-	77,419	-	-
Interest income	-	-	-	-	-	-
Total revenues	-	971,812	919,880	158,127	24,732	-
EXPENDITURES						
Current:						
General government	-	-	-	116,861	21,361	-
Public safety	-	-	-	-	-	-
Public works	11,016	-	-	-	-	-
Recreation and leisure	-	-	-	-	-	-
Education	-	1,005,156	919,880	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	11,016	1,005,156	919,880	116,861	21,361	-
Excess (deficiency) of revenues over expenditures	(11,016)	(33,344)	-	41,266	3,371	-
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of general obligation bonds	-	-	-	-	-	-
Repayment of bond anticipation notes	-	-	-	-	-	-
Transfers in	105,343	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	105,343	-	-	-	-	-
Net change in fund balances	94,327	(33,344)	-	41,266	3,371	-
Fund balances (deficit) - beginning	(60,657)	355,220	-	148,810	11,621	734
Fund balances (deficits) - ending	\$ 33,670	\$ 321,876	\$ -	\$ 190,076	\$ 14,992	\$ 734

(Continued)

TOWN OF MONTVILLE, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Special Revenue Funds				Nonmajor Capital Project Funds		
	Town Historic Preservation Fund	Police Donations Fund	Parks and Recreation Fund	Dog Warden Donation	Total Special Revenue Funds	LOCIP Fund	Capital Nonrecurring Fund
REVENUES							
Intergovernmental	\$ 4,000	\$ -	\$ -	\$ -	\$ 1,510,825	\$ -	\$ -
Charges for services	6,902	-	78,154	-	575,363	10,353	-
Donations	-	6,927	-	6,481	90,827	-	-
Interest income	-	-	-	-	-	-	42
Total revenues	<u>10,902</u>	<u>6,927</u>	<u>78,154</u>	<u>6,481</u>	<u>2,177,015</u>	<u>10,353</u>	<u>42</u>
EXPENDITURES							
Current:							
General government	4,000	-	-	-	142,222	3,953	-
Public safety	-	1,428	-	1,624	3,052	-	-
Public works	-	-	-	-	11,016	-	-
Recreation and leisure	-	-	63,207	-	63,207	-	-
Education	-	-	-	-	1,925,036	-	-
Capital outlays	-	-	-	-	-	-	14,995
Total expenditures	<u>4,000</u>	<u>1,428</u>	<u>63,207</u>	<u>1,624</u>	<u>2,144,533</u>	<u>3,953</u>	<u>14,995</u>
Excess (deficiency) of revenues over expenditures	6,902	5,499	14,947	4,857	32,482	6,400	(14,953)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of general obligation bonds	-	-	-	-	-	-	-
Repayment of bond anticipation notes	-	-	-	-	-	-	-
Transfers in	-	-	-	-	105,343	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,343</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,902	5,499	14,947	4,857	137,825	6,400	(14,953)
Fund balances (deficit) - beginning	<u>3,299</u>	<u>1,920</u>	<u>13,998</u>	<u>-</u>	<u>474,945</u>	<u>83,227</u>	<u>177,948</u>
Fund balances (deficits) - ending	<u>\$ 10,201</u>	<u>\$ 7,419</u>	<u>\$ 28,945</u>	<u>\$ 4,857</u>	<u>\$ 612,770</u>	<u>\$ 89,627</u>	<u>\$ 162,995</u>

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Capital Project Funds					
	Capital Projects Funds	Palmertown Water Project Phase 2 Fund	Bonded Fund	Black Ash Swamp Road Fund	Open Space Fund	Community Center Fund
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Donations	-	-	-	-	-	-
Interest income	-	-	-	5	-	-
Total revenues	-	-	-	5	-	-
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Recreation and leisure	-	-	-	-	-	-
Education	-	-	-	-	-	-
Capital outlays	155,629	35,519	291,705	-	-	-
Total expenditures	155,629	35,519	291,705	-	-	-
Excess (deficiency) of revenues over expenditures	(155,629)	(35,519)	(291,705)	5	-	-
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of general obligation bonds	-	-	825,000	-	-	-
Repayment of bond anticipation notes	-	-	(825,000)	-	-	-
Transfers in	629,412	-	-	-	-	-
Transfers out	-	-	-	(45,916)	-	-
Total other financing sources (uses)	629,412	-	-	(45,916)	-	-
Net change in fund balances	473,783	(35,519)	(291,705)	(45,911)	-	-
Fund balances (deficit) - beginning	129,593	(22,718)	280,968	45,911	5,000	-
Fund balances (deficits) - ending	\$ 603,376	\$ (58,237)	\$ (10,737)	\$ -	\$ 5,000	\$ -

(Continued)

TOWN OF MONTVILLE, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*

FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Capital Project Funds					Total Nonmajor Governmental Funds
	Bridges Fund	Sewer SEP Fund	Energy Efficiency Fund	Bridge St. Remediation Fund	Total Capital Projects Funds	
REVENUES						
Intergovernmental	\$ 21,335	\$ -	\$ -	\$ 138,949	\$ 160,284	\$ 1,671,109
Charges for services	-	-	-	-	10,353	585,716
Donations	-	-	-	-	-	90,827
Interest income	-	-	-	-	47	47
Total revenues	<u>21,335</u>	<u>-</u>	<u>-</u>	<u>138,949</u>	<u>170,684</u>	<u>2,347,699</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	3,953	146,175
Public safety	-	-	-	-	-	3,052
Public works	-	-	-	-	-	11,016
Recreation and leisure	-	-	-	-	-	63,207
Education	-	-	-	-	-	1,925,036
Capital outlays	21,335	-	-	138,949	658,132	658,132
Total expenditures	<u>21,335</u>	<u>-</u>	<u>-</u>	<u>138,949</u>	<u>662,085</u>	<u>2,806,618</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	(491,401)	(458,919)
OTHER FINANCING SOURCES						
Proceeds from issuance of general obligation bonds	-	-	-	-	825,000	825,000
Repayment of bond anticipation notes	-	-	-	-	(825,000)	(825,000)
Transfers in	-	-	-	-	629,412	734,755
Transfers out	-	-	-	-	(45,916)	(45,916)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,496</u>	<u>688,839</u>
Net change in fund balances	-	-	-	-	92,095	229,920
Fund balances - beginning	<u>1,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>701,351</u>	<u>1,176,296</u>
Fund balances (deficits) - ending	<u>\$ 1,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 793,446</u>	<u>\$ 1,406,216</u>

(Concluded)

Fiduciary Funds

TOWN OF MONTVILLE, CONNECTICUT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2013

	<u>Student Activities</u>	<u>Performance Bonds</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 241,604	\$ 90,182	\$ 331,786
Investments	32,682	-	32,682
Total assets	<u>\$ 274,286</u>	<u>\$ 90,182</u>	<u>\$ 364,468</u>
LIABILITIES			
Due to student groups	\$ 274,286	\$ -	\$ 274,286
Due to others	-	90,182	90,182
Total liabilities	<u>\$ 274,286</u>	<u>\$ 90,182</u>	<u>\$ 364,468</u>

TOWN OF MONTVILLE, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN

FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Balance, July 1, 2012	Additions	Deletions	Balance, June 30, 2013
Student Activities				
Assets				
Cash and cash equivalents	\$ 228,982	\$ 490,899	\$ 478,277	\$ 241,604
Investments	11,193	21,489	-	32,682
Total assets	<u>\$ 240,175</u>	<u>\$ 512,388</u>	<u>\$ 478,277</u>	<u>\$ 274,286</u>
Liabilities				
Due to student groups	\$ 240,175	\$ 512,388	\$ 478,277	\$ 274,286
Total liabilities	<u>\$ 240,175</u>	<u>\$ 512,388</u>	<u>\$ 478,277</u>	<u>\$ 274,286</u>
Performance Bonds				
Assets				
Cash and cash equivalents	\$ 156,140	\$ 4,389	\$ 70,347	\$ 90,182
Total assets	<u>\$ 156,140</u>	<u>\$ 4,389</u>	<u>\$ 70,347</u>	<u>\$ 90,182</u>
Liabilities				
Due to others	\$ 156,140	\$ 4,389	\$ 70,347	\$ 90,182
Total liabilities	<u>\$ 156,140</u>	<u>\$ 4,389</u>	<u>\$ 70,347</u>	<u>\$ 90,182</u>
Total All Agency Funds				
Assets				
Cash and cash equivalents	\$ 385,122	\$ 495,288	\$ 548,624	\$ 331,786
Investments	11,193	21,489	-	32,682
Total assets	<u>\$ 396,315</u>	<u>\$ 516,777</u>	<u>\$ 548,624</u>	<u>\$ 364,468</u>
Liabilities				
Due to student groups	\$ 240,175	\$ 512,388	\$ 478,277	\$ 274,286
Due to others	156,140	4,389	70,347	90,182
Total liabilities	<u>\$ 396,315</u>	<u>\$ 516,777</u>	<u>\$ 548,624</u>	<u>\$ 364,468</u>