

OFFICIAL STATEMENT DATED OCTOBER 20, 2009

New Issue

Rating: Moody's Investors Service Aa3

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.

TOWN OF MONTVILLE, CONNECTICUT
\$12,000,000 GENERAL OBLIGATION BONDS, 2009 SERIES A
BOOK-ENTRY-ONLY, BANK QUALIFIED

Dated: November 15, 2009

Due: Serially, October 15, 2012-2023, as shown below

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2012	\$1,000,000			615292__	2018	\$1,000,000			615292__
2013	1,000,000			615292__	2019	1,000,000			615292__
2014	1,000,000			615292__	2020	1,000,000			615292__
2015	1,000,000			615292__	2021	1,000,000			615292__
2016	1,000,000			615292__	2022	1,000,000			615292__
2017	1,000,000			615292__	2023	1,000,000			615292__

The Bonds will be general obligations of the Town of Montville, Connecticut (the "Town"), and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See "Security and Remedies" herein.

Interest on the Bonds will be payable on April 15, 2010 and semiannually thereafter on October 15 and April 15 of each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Certifying Agent, Registrar, Transfer Agent and Paying Agent will be U.S. Bank National Association in Hartford, Connecticut.

The Bonds are subject to redemption prior to maturity as more fully described herein. See "Optional Redemption" herein.

Electronic bids for the Bonds will be received between 11:15 A.M. and 11:30 A.M. (E.D.T.) (but not later than 11:30 A.M., except for extension as described under "Electronic Bidding Procedure" in the Notice of Sale for the Bonds) on Thursday, October 29, 2009. Electronic bids must be submitted via the Grant Street Group's MuniAuction website ("MuniAuction"). Bidder access to the MuniAuction website is via the auction link at www.MuniAuction.com.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. It is expected that the delivery of the Bonds in definitive form will be made on or about November 17, 2009 through the facilities of DTC.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Financial Advisor



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TABLE OF CONTENTS

Bond Issue Summary 3
Introduction 5

SECTION I - SECURITIES OFFERED

Description of the Bonds 6
Optional Redemption 6
Authorization and Purpose 7
Use of Proceeds 7
Rating 7
Bond Insurance 7
Credit Enhancement 7
Tax Matters 7
Security and Remedies 9
Qualification for Financial Institutions 10
Computing Interest 10
Book-Entry-Only System 10
DTC Practices 11

SECTION II - THE ISSUER

Description of the Town 12
Description of Government 12
Organizational Chart 13
Principal Municipal Officials 14
Summary of Municipal Services 14
Educational System 15
School Enrollments 16
School Facilities 16
Municipal Employees 16
Municipal Employees Bargaining Organizations 17

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA SECTION

Local Economy 18
Population Trends and Densities 19
Age Distribution of the Population 19
Comparative Income Measures 19
Income Distribution 20
Educational Attainment 20
Labor Force Data 20
Major Employers 21
Industry Classification 21
Commute to Work 22
Number and Value of Building Permits 22
Housing Units by Type of Structure 22
Age Distribution of Housing 23
Owner-occupied Housing Units 23
Number and Size of Households 24

SECTION IV - DEBT SECTION

Debt Summary 25
Overlapping/Underlying Debt 25
Bonded Debt Maturity Schedule 26

	<u>Page</u>
Statement of Statutory Debt Limitation	27
Current Debt Statement	28
Current Debt Ratios	28
Five-Year Debt Statement Summary	29
Five-Year Debt Statement Summary Ratios	29
Comparison of Annual Debt Service to General Fund Expenditures	30
Authorized but Unissued Debt	30
Authority to Incur Debt	30

SECTION V - FINANCIAL SECTION

Taxable Grand List	31
Major Taxpayers	31
Tax Collections	31
Property Taxes Receivable	32
Five-year Capital Improvement Program	32
Summary of Accounting Principles	32
Comparative Balance Sheets - General Fund	33
General Fund Revenues and Expenditures	34
Intergovernmental Revenues as a Percent of General Fund Revenues	35
Budget Adoption Procedure	35
Assessment Practices	35
Annual Audit	36
Tax Levy and Collection	36
Pension Plans	37
Other Post-Employment Benefits	37
Investment Practices	37
Risk Management	38

SECTION VI - ADDITIONAL INFORMATION

Commitments and Litigation	39
Continuing Disclosure	39
Transcript and Documents to Be Furnished at Closing	39
Concluding Statement	40

APPENDICES

Appendix A - Auditor's Section	A-1
Independent Auditors' Report	
Management's Discussion and Analysis	
Basic Financial Statements	
Notes to Basic Financial Statements	
Appendix B - Form of Legal Opinion of Bond Counsel	B-1
Appendix C - Form of Continuing Disclosure Agreement	C-1
Appendix D - Notice of Sale	D-1

Bond Issue Summary

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

Issuer:	Town of Montville, Connecticut (the "Town")
Issue:	\$12,000,000 General Obligation Bonds, 2009 Series A, book-entry-only (the "Bonds")
Financial Advisor:	Webster Bank, National Association, Hartford, Connecticut
Date and Method of Sale:	Electronic bids for the Bonds will be received via the MuniAuction website at www.MuniAuction.com on Thursday, October 29, 2009, between 11:15 A.M. and 11:30 A.M. (E.D.T.) (but not later than 11:30 A.M., except for extension as described under "Electronic Bidding Procedure" in the Notice of Sale for the Bonds).
Dated Date:	November 15, 2009
Interest Due:	Each April 15 and October 15, commencing April 15, 2010
Principal Due:	Serially, October 15, 2012 through October 15, 2023, as detailed in this Official Statement
Purpose:	The Bonds are being issued to permanently finance \$12,000,000 bond anticipation notes of the Town maturing on November 17, 2009 which were issued to fund a judgment against the Town and the Town's Water Pollution Control Authority. See "Authorization and Purpose" herein.
Redemption:	The Bonds are subject to redemption prior to maturity as more fully described herein under "Optional Redemption."
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
Bank Qualification:	The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.
Credit Rating:	See "Rating" herein.
Bond Insurance:	Applications to insurance companies have been made under the optional purchase method.
Credit Enhancement:	The Town does not expect to direct purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost ("TIC"), as of the dated date
Tax Exemption	See "Tax Matters" herein.
Certifying Agent, Registrar, Transfer Agent, and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, ctmuniservices@usbank.com
Legal Opinion:	Robinson & Cole LLP of Hartford, Connecticut will act as Bond Counsel.

Delivery: It is expected that delivery of the Bonds in book-entry-only form will be made on or about November 17, 2009 through the facilities of The Depository Trust Company.

Final Official Statement: This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1).

Availability of Continuing Information: In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.

The Preliminary Official Statement is available in electronic form at www.MuniAuction.com. For additional copies of the Official Statement or requests for additional information, please contact Christine R. Caruolo, Assistant Vice President, telephone (860) 692-1711, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103.

Introduction

The purpose of this Official Statement is to provide certain financial information and economic and demographic data relevant to the Town of Montville, Connecticut (the "Town"), in connection with the issuance and sale of \$12,000,000 General Obligation Bonds, 2009 Series A (the "Bonds") of the Town.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated October 20, 2009 has been furnished to prospective bidders. Reference is made to the Notice of Sale which is included as Appendix D for the terms and conditions of the bidding.

The successful bidder for the Bonds may add a separate page on the front of this Official Statement to indicate its name, the Bond offering prices, the interest rate per annum on the Bonds, information regarding ratings and insurance (if any), and any other information which the successful bidder deems appropriate.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

The information in this Official Statement has been prepared by the Town's financial advisor, Webster Bank, National Association (the "Bank"), from information supplied by the Town's officials and other sources as indicated. The Bank does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. An agreement between the Town and the Bank has been entered into to conform to Municipal Securities Rulemaking Board ("MSRB") Rule G-23. U.S. Bank National Association, of Hartford, Connecticut will act as Certifying Agent, Registrar, Transfer Agent and Paying Agent for the Bonds.

The independent auditors for the Town are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A - "Auditor's Section" herein), and they make no representation that they have independently verified the same.

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in Appendix B - "Form of Legal Opinion of Bond Counsel" herein as their opinion), and they make no representation that they independently have verified the same.

SECTION I – SECURITIES OFFERED

Description of the Bonds

The Bonds are being offered for sale at public bidding. A Notice of Sale dated October 20, 2009, a copy of which is included as Appendix D, has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

The Bonds will be dated November 15, 2009 and will mature on October 15 of the years and in the principal amounts as follows:

<u>Due October 15</u>	<u>Principal Amount</u>	<u>Due October 15</u>	<u>Principal Amount</u>
2012	\$1,000,000	2018	\$1,000,000
2013	1,000,000	2019	1,000,000
2014	1,000,000	2020	1,000,000
2015	1,000,000	2021	1,000,000
2016	1,000,000	2022	1,000,000
2017	1,000,000	2023	1,000,000

Interest on the Bonds will be payable on April 15, 2010 and semiannually thereafter on October 15 and April 15 in each year until maturity, as set forth on the cover page hereof. Interest will be calculated on the basis of twelve 30-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the last business day of March and September in each year, by check mailed to the registered owner, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. The Bonds will be payable at the principal office of U.S. Bank National Association, Hartford, Connecticut. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only System” herein.

The Bonds are subject to redemption prior to maturity as more fully described herein.

Optional Redemption

The Bonds maturing on or before October 15, 2016 are not subject to redemption prior to maturity. The Bonds maturing October 15, 2017 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after October 15, 2016, either in whole or in part at any time, in such order of maturity and amount as the Town may determine, and by lot within a maturity, at the respective prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
From: October 15, 2016 and thereafter	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of the Bonds to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall

be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by \$5,000.

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amounts of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Authorization and Purpose

Bonds are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Charter of the Town of Montville, and a resolution appropriating and authorizing bonds in the amount of \$12,000,000 to pay a judgment against the Town and the Town’s Water Pollution Control Authority in an action commenced by Rand-Whitney Containerboard Limited Partnership, adopted by the Town Council on August 28, 2008 and approved by referendum on October 7, 2008.

Use of Proceeds

<u>Project</u>	<u>Bonds Authorized</u>	<u>Previously Bonded</u>	<u>Notes Maturing</u>	<u>The Bonds</u>
Judgment	\$12,000,000	\$-	\$12,000,000	\$12,000,000

Rating

On October 7, 2009, Moody’s Investors Service assigned a rating of Aa3 to the Bonds and affirmed the Aa3 rating on the Town’s parity bonds outstanding. The Town furnished to the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the view of the rating agency and is subject to revision or withdrawal, which could affect the market price of the Bonds. The rating agency should be contacted directly for its rating on the Bonds and the explanation of such rating.

Bond Insurance

Information has been submitted to various municipal bond insurers for consideration as to insurance on the Bonds, if the original purchaser wishes to purchase such insurance. The grant or denial of such insurance by the insurers reflects only the view of the individual insurer as to the Town’s credit, but could affect the market price of the Bonds. If the original purchaser obtains insurance on the Bonds, the insurer should be contacted directly for information concerning its insurance program.

Credit Enhancement

The Town does not expect to direct purchase a credit enhancement to provide for the payment of the principal of or interest on the Bonds.

Tax Matters

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest

on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations.

Ownership of the Bonds may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds.

Original Issue Discount

The initial public offering price of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Accrued original issue discount on the Bonds is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective investors in the Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of, and receipt of interest on, the Bonds.

Original Issue Premium

The initial public offering price of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds are sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Amortized original issue premium on the Bonds is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective investors in the Bonds should consult their tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds.

Security and Remedies

The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualifying disabled persons taxable at limited amounts. There was, however, no such certified property on the last completed grand list of the Town, and under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds, and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a government officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

Qualification for Financial Institutions

The Bonds **shall** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Computing Interest

Interest will be calculated on the basis of a 30-day month and a 360-day year at the rate or rates per annum specified by the successful bidder or bidders, using the True Interest Cost (“TIC”) method.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and

Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

SECTION II - THE ISSUER

Description of the Town

The Town of Montville, covering 42.02 square miles, is centrally located between Norwich and New London in eastern Connecticut. The Town is 35 miles from Connecticut's state capital, Hartford, and 45 miles from Providence, Rhode Island, and has access to the Thames River. The Town has experienced significant growth with the location of the Mohegan Sun Casino and Resort within its borders.

Montville is served by I-395, I-95 and Connecticut Routes 2A, 32, 82, 85, 161 and 163. Passenger bus service is provided by Southeast Area Transport, and freight service is provided by Central Vermont Railway and numerous common carriers.

Primarily a suburban residential community, the Town's population was estimated at 19,744 in 2007. There are over 5,000 single-family residences, more than 200 condominiums, and 33 apartment buildings in Town. The Town has developed gradually and still has substantial open space and over 1,000 acres of agricultural land.

The Town is also home to historic Cohegan Rock. Once owned by the Connecticut Rivers Council, Boy Scouts of America, the 100 plus acre piece of land was purchased by the Mohegan Tribe. Cohegan Rock is the largest free boulder in the United States, as it is not a part of a talus. It is also thought to be the place where the leader of the Mohegan people, Uncas, held tribal councils. Today, it is a camping ground used by boy scouts, with the permission of the Mohegan Tribe.

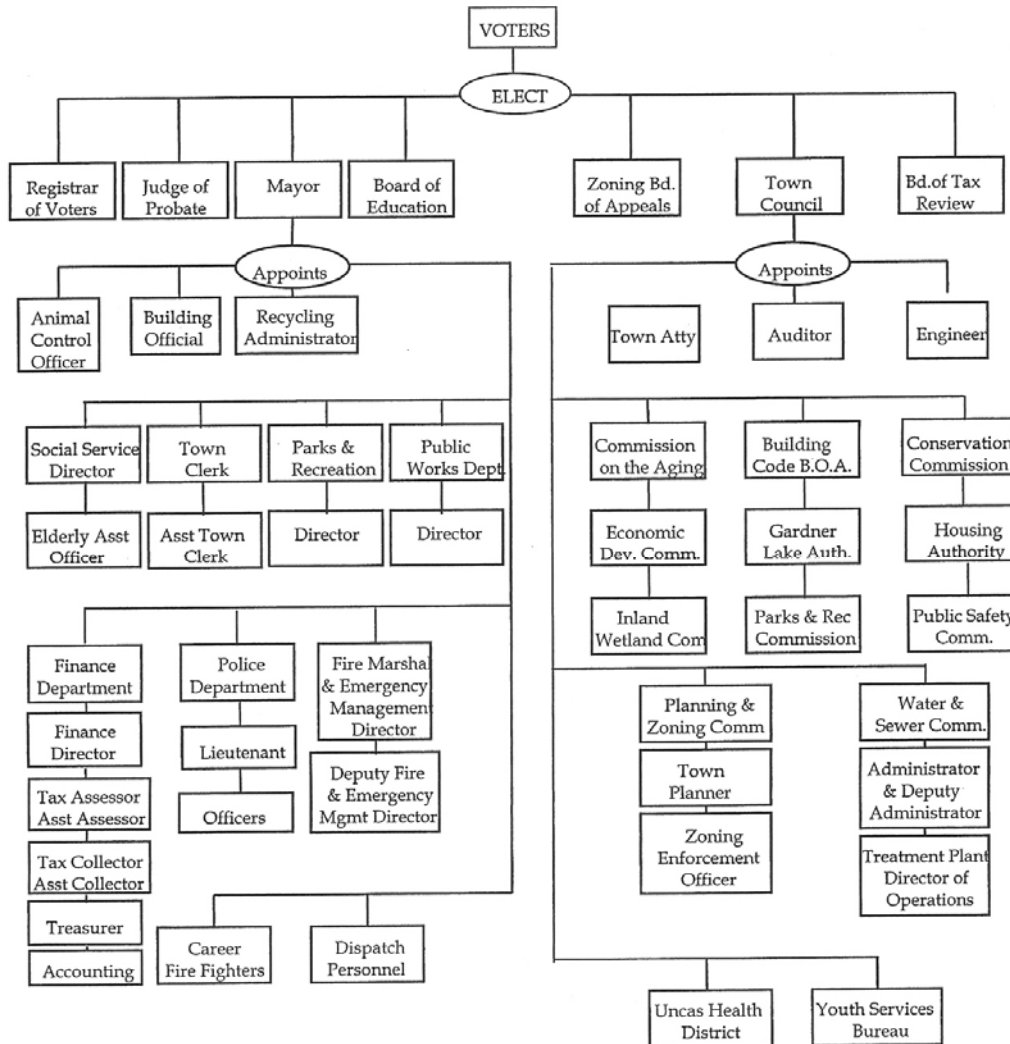
The Mohegan Tribe of Indians (the "Tribe") is a federally recognized Indian tribe with a 507-acre reservation that is contiguous to the Town. In 1996, the Tribe opened a \$330 million gaming facility known as the Mohegan Sun Casino and Resort ("Mohegan Sun") on a 240-acre site on the Tribe's reservation overlooking the Thames River. In September 2001, the Tribe completed a \$1.4 billion expansion of its casino. The expansion included the addition of nearly 300,000 square feet of gaming space, a 1,200-room hotel and retail stores. Pursuant to an agreement with the State of Connecticut and the Town, which was approved by the United States Congress, the Tribe may expand its reservation to 700 acres. The Tribe is not required to pay property taxes on reservation lands, but has consented as part of this agreement to make an annual \$500,000 payment in lieu of taxes to the Town and to pay certain other taxes to the Town. This annual payment of \$500,000 is earmarked for the Town's capital needs. The Tribe is also participating in a Regional Water Project Agreement with the Town and other local governments. The regional water system was completed in April of 2008. Under the agreement, the Tribe will pay for all water and sewer usage on the same basis as any other customer. Both the Town and the Tribe continue to maintain a positive working relationship to address the needs of the residents of Montville.

Description of Government

The Town is governed under a Town Charter, which was last revised and adopted on November 7, 1995, with a Mayor/Town Council form of government. The Mayor acts as the chief executive officer, and the Town Council is the legislative body. Council members are elected biennially for two-year terms. The Mayor is elected for a four-year term. The Director of Finance supervises the Town's financial affairs and departments, which include the Town Treasurer, Tax Collector, Tax Assessor, and the Accounting Department. As of July 1, 2006, water and water pollution control accounting functions also fall under the Director of Finance. Pursuant to the Charter, any resolution making a non-budgeted appropriation of less than one percent of the current tax levy shall become effective after approval by the Town Council, provided that the Director of Finance certifies that there are available unappropriated general fund resources in excess of the proposed appropriation. Such appropriations shall not exceed accumulatively two percent of the current tax levy in the current fiscal year. Any non-budgeted appropriation in excess of two percent of the current tax levy and all bonded indebtedness must be approved by the Town Council and adopted by a majority of the qualified voters at a Town meeting. In addition, any non-budgeted appropriation and any borrowing in excess of five percent of the current tax levy must be approved by the Town Council and submitted to the electors and eligible taxpayers of the Town at referendum.

The Montville Public Schools are governed by a popularly elected Board of Education, consisting of nine Board members. Each year, two students from Montville High School are also chosen to serve as student representatives to the Board of Education. The Superintendent of Schools oversees all facets of the day-to-day management of the Montville public schools, including, but not limited to: faculty and staff, building maintenance and management, annual budgets, curriculum development, district goals, and testing.

Organizational Chart



Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service</u>
Mayor	Joseph W. Jaskiewicz	Elected/4 years	11/03 to date
Town Council:			
Chairman	Catherine Buebendorf	Elected/2 years	11/05 to date
Member	Howard Beetham	Elected/2 years	11/05 to date
Member	William Caron	Elected/2 years	11/05 to date
Member	John F. Geary	Elected/2 years	11/99 to date
Member	Rosetta Jones	Elected/2 years	11/07 to date
Member	Gary Murphy	Elected/2 years	11/07 to date
Member	Edward W. Radgowski	Elected/2 years	11/03 to date
Director of Finance	Theresa Fafard	Appointed	April 2008 to date
Treasurer	Pamela Bonanno	Appointed	2003 to date
Tax Collector	Joan Zujus	Appointed	1980 to date
Assessor	Lucy Beit	Appointed	2003 to date
Town Clerk	Lisa J. Terry	Appointed	1991 to date
Town Planner	Marcia Vlaun	Appointed	1989 to date
Town Attorney	Bruce Chudwick	Appointed	2007 to date
Superintendent of Schools	David B. Erwin	Appointed	1999 to date

Summary of Municipal Services

The Town provides a full range of services, including police and fire protection; water transmission; the construction and maintenance of highways, streets and other infrastructure; education and recreational activities; and cultural events. Sanitation services are provided through a legally separate Water Pollution Control Authority, which functions, in essence, as a department of the Town.

Police: The Town employs 24 full-time constables, including four sergeants, one lieutenant with two additional part-time constables under the administrative jurisdiction of the Connecticut State Police. They have full powers and are headed by a Resident State Trooper permanently assigned to the Town. They are dispatched by the State police troop located in Montville, which is responsible for covering all of eastern Connecticut. Eighteen vehicles are available for 24-hour patrol duty with five on the day shift, seven on the second shift and four on the third shift.

Fire Protection: The Town is served by nine full-time firefighters working 24 hour shifts and an all-volunteer fire department broken down into four companies strategically located throughout the Town. Each company maintains and operates its own ambulance from its respective firehouse. Each company is headed by a chief, a deputy chief, an assistant chief, a captain, and three lieutenants and is established as a nonprofit corporation. Fire and emergency dispatching is accomplished from the Town-operated dispatching center staffed 168 hours a week by three full-time and nine part-time trained dispatchers. In addition to their individual ambulances, the four volunteer fire departments are equipped with 12 pieces of apparatus including a ladder truck, various pumpers, rescue vehicles, brush trucks and boats.

The fire marshal and fire inspector are full-time paid positions. The fire marshal is the supervisor for the career and part-time firefighters and dispatch personnel.

Public Works: The Public Works Department is headed by a director who supervises three mechanics, two crew leaders, 12 drivers, two laborers, two custodians, and two office administrators. The unit is responsible for maintenance and plowing of 118 miles of Town roads. Equipment includes 15 six-wheel snow plows, various loaders and mowers, six dump trucks, and other pieces of equipment necessary to service the Town's needs.

Sewer: The Town has 76 miles of sewer lines, 22 pump stations, and a sewage treatment plant under the jurisdiction of the Water Pollution Control Authority ("WPCA"). The WPCA employs 14 people. The system has a current gross capacity of 7.2 million gallons per day. The Tribe completed a major expansion project of

the treatment plant and the placement of two pumping stations as part of the Mohegan Sun Sunburst Project at no cost to the Town. The Town is the owner of all of the capital equipment outside of the reservation.

The Town has implemented a sewer assessment policy that captures all assessments from all properties regardless of when they are improved or assessed equal to the amount that would have been assessed at the time sewer assessments were first levied. The policy also accounts for increased usage or changes in usage. The Tribe's Sunburst Project is paying a connection fee of \$1.1 million, with \$140,000 down and the balance at 6% interest over seven years.

Solid Waste: The Town is currently committed to provide 10,528 tons of solid refuse annually to the Preston resource recovery plant. The Town operates a 12-acre permitted transfer station at an average annual cost of \$450,000 plus tipping fees of approximately \$755,000. The Town is a member of the Southeastern Connecticut Resource Recovery Authority ("SCRRA"), an authority established under the Connecticut Resource Recovery Authority ("CRRRA"), to serve the needs of eleven regional member towns and two contracting towns. The mass-burn water-wall incinerator waste-to-energy plant in Preston has an annual capacity of 219,000 tons. Of this, 154,078 tons has been committed to by the member towns. The vendor, American Refuel, is a consortium headed by Air Products and Browning-Ferris Industries which participates in 25% of the equity and runs the plant under a 25-year lease. The cost of the plant has been financed with over \$159 million in CRRRA revenue bonds to be repaid from tipping fees set at \$64 per ton for fiscal year 2009-10 and from the sale of electricity to Northeast Utilities.

The ash landfill for the Preston trash-to-energy plant that was located in Montville has been closed. In an agreement between the Town and SCRRA, the Town has received its final financial compensation from the ash landfill.

Water: The Town's Water Department currently has five miles of water lines and provides water to the primary residential, commercial and industrial areas. The Town is also working with area towns and the Tribe as a member of the Thames River Basin Interconnection group which was formed to construct a regional water program. On April 13, 2004, the Town referendum appropriated \$4,513,300 and authorized \$3,300,500 in bonds for the Town's share of the project. The Thames River Basin Interconnection Project is nearly completed. The first section of the project is now operational with the Town now receiving water from the City of Groton. The second phase was completed in the fall of 2007, and the Town began delivering water to residents in the northern section of Route 32. This project will address the Town's anticipated water needs for the next 20 years.

The Palmertown water main extension project funded through a State Department of Environmental Protection grant for \$2,058,000 was completed in the fall of 2007. A pump station on Maple Avenue is expected to be completed in the spring of 2010.

Library: The Raymond Library, located in the Oakville section of the Town, is a private business supported in part by public funds. Patrons may borrow books, magazines, audios, and music CDs. The library has a large Children's Department, and many children's videos are available. Collections are updated every month with new books, and several times a year the library borrows large-print books and many audios from the State library in Willimantic. Connecticard System, photocopy machine, ILL loan system, and iMac computers with Internet access are available for use. The library also participates in a paperback book exchange and Read-Aloud Day.

Educational System

The Town's educational system serves grades kindergarten through twelve. The schools are governed by a nine-member local Board of Education. The board exercises legislative authority over the schools in accordance with the State of Connecticut Statutes and the State Board of Education rules.

School Enrollments

<u>As of October 1</u>	<u>Grades K-5</u>	<u>Grades 6-8</u>	<u>Grades 9-12</u>	<u>Special Education</u>	<u>Total</u>
<i>Historical</i>					
1998	1,365	711	707	108	2,891
1999	1,412	736	776	-	2,924
2000	1,389	741	806	-	2,936
2001	1,350	749	807	-	2,906
2002	1,346	733	831	-	2,910
2003	1,344	740	825	-	2,909
2004	1,333	720	864	-	2,917
2005	1,314	766	898	-	2,978
2006	1,337	723	888	-	2,948
2007	1,265	720	876	-	2,861
2008	1,281	643	853	-	2,777
<i>Projected</i>					
2009	1,302	695	906	-	2,903
2010	1,325	671	891	-	2,887
2011	1,317	707	860	-	2,884
2012	1,181	642	708	-	2,531
2013	1,188	640	701	-	2,529

Source: Montville Board of Education.

School Facilities

<u>School</u>	<u>Grades</u>	<u>Date of Construction (Last Remodeled)</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/08</u>	<u>Rated Capacity</u>
Murphy	Pre-K-5	1970	38	396	600
Mohegan	K-5	2005	37	425	680
Oakdale	Pre-K-5	1965	26	460	605
Tyl Middle	6-8	1992	44	643	700
High School ¹	9-12	1962	<u>54</u>	<u>853</u>	<u>1,186</u>
Total			199	2,777	3,771

¹Includes Palmer Memorial enrollments, an alternative 9-12 high school with four classrooms and a capacity of 40 students.

Municipal Employees¹

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
General Government	142 ²	142 ²	123	121	120
Board of Education	<u>627</u>	<u>630</u>	<u>631</u>	<u>621</u>	<u>616</u>
Total	769	772	754	742	736

¹Full-time equivalent.

²Total number of employees.

Municipal Employees Bargaining Organizations

<i>General Government</i>	<u>Positions Covered</u>	<u>Current Contract Expiration Date</u>
Montville Association of Management Employees	11	06/30/12
Town Hall - Teamsters #493	21	06/30/12
Public Works - Local 1303 of Council #4, AFSCME-AFL-CIO	26	08/31/12
Constables - Local 2693 of Council #15, AFSCME-AFL-CIO	23	08/31/12
Montville Firefighters Association - International Association of Firefighters AFL-CIO	10	06/30/09 ¹
WPCA - Local 1303-341 of Council #4, AFSCME-AFL-CIO	10	08/31/09 ¹
<i>Board of Education</i>		
Montville Administrators ' Association	11	06/30/12
Bus Drivers - Teamsters #493	41	08/31/12
Civil Service Employees Affiliates, Inc.:		
Paraprofessionals	88	08/31/12
Secretaries	27	08/31/12
Custodial - Teamsters #493	20	08/31/11
Montville Education Association	247	08/31/11

¹ In negotiation.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA SECTION

Local Economy

The principal industries in Montville are electrical power generation, manufacturing of paperboard and paper boxes, tachometers, and storm windows. The two power generation plants located in Montville are AES Thames Corporation ("AES"), a subsidiary of Applied Energy Services, and Montville Power LLC, formerly the Connecticut Light & Power subsidiary of Northeast Utilities. AES has constructed a 181-megawatt facility to generate steam for Smurfit-Stone Container Enterprises Inc. and electricity to be sold to Montville Power LLC. The plant is the Town's largest taxpayer, with a combined assessment of \$54,282,867 on the October 1, 2008 grand list. Montville Power LLC is in the process of permitting a 40-megawatt biomass-fueled generation unit at the Montville station.

Montville Power LLC maintains a major power-generating plant and is the Town's fourth largest taxpayer with a combined assessment of \$15,002,936 on the October 1, 2008 grand list. The 82-megawatt facility uses conventional fossil fuel and steam generation equipment and feeds into the New England grid.

The manufacturing industry comprised 13.6% of the Town's economic base according to the 2000 census. There are 12 manufacturing firms located in Montville. The firms range from a small start-up tool and die maker, which has recently expanded within one of the Town's new industrial parks, to Smurfit Stone, one of the world's leading manufacturers of cardboard and paperboard. Montville is also home to the Faria Corporation, a manufacturer and worldwide exporter of tachometers, gauges and instrument panels.

Rand-Whitney Group, the second largest taxpayer with a combined assessment of \$24,952,478 on the October 1, 2008 grand list, purchased the former Robertson Paper Box and completed construction of a \$121 million expansion. The new building houses a state-of-the-art liner-board mill capable of producing 400 tons a day of high-performance, 100% recycled liner-board. The mill utilizes 180,000 tons of old corrugated cases annually, which would otherwise be incinerated or land-filled. Rand-Whitney also constructed a cogeneration power plant on the site of the former Robertson Paper Box mill. The purpose of the plant is to provide electricity and steam essential to its operation in the production of paper. Northeast Generation Services (a subsidiary of Northeast Utilities) was given a 15-year contract to operate the cogeneration plant.

The accommodations industry continues to expand in Montville. The Town currently has Best Western and Microtel hotels; Hyatt Place Hotels has started construction with an expected completion in fall of 2009. The major contributors to this sector are the Mohegan Sun Casino and Resort, located on the northern border of Montville, and Foxwoods Resort, which is located in the neighboring Town of Ledyard.

Montville is diversified across the economic spectrum with a healthy mix of finance, insurance, real estate and services, heavy and light industry and retail. Approximately 300,000 square feet of gross floor area of retail development has been constructed within the Route 32 corridor. The Town has increased its commercial tax base over 30% in the last five years. Montville's combined built industrial and commercial square footage is 1,470,615. The Town is estimated to be 60% built out residentially. The Town has an additional 7,558,132 square feet of potential commercial/industrial build-out.

Population Trends and Densities

<u>Year</u>	<u>Population¹</u>	<u>Percent Change</u>	<u>Density²</u>
2007	19,744	6.5	470
2000	18,546	11.2	441
1990	16,673	1.3	380
1980	16,455	5.1	375
1970	15,662	101.9	357
1960	7,759	-	177

Sources: ¹U.S. Department of Commerce, Bureau of Census, Census of Population 1960–2000; State of Connecticut Department of Public Health estimate July 1, 2007.

²Population per square mile: 43.9 square miles for 1960 through 1990; 42.02 square miles for 2000 and 2007, reflecting annexation of property by the Mohegan Tribe.

The population figures listed above include individuals contained within the State of Connecticut’s Corrigan-Radgowski Correctional Center. The Radgowski Annex, formerly Montville Correctional Center, was opened in 1957 and was closed in 1991. The Radgowski Correctional Institution was opened on January 10, 1991 as a level 3 medium-security facility for male offenders. The Corrigan Correctional Institution was opened on December 30, 1994 as a level 4 high-security facility for male offenders. On June 30, 1997 the Annex was reopened. The Corrigan Correctional Institution and the Radgowski Correctional Institution were consolidated in May 2001 as the Corrigan-Radgowski Correctional Center. This facility confines both pretrial and sentenced offenders. As of July 1, 2008, the facility contained 411 accused and 1,096 sentenced males, for a total of 1,507.

Age Distribution of the Population

<u>Age</u>	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	1,016	5.5	223,344	6.6
5 to 19 years	3,804	20.5	702,358	20.6
20 to 24 years	1,147	6.2	187,571	5.5
25 to 44 years	6,341	34.2	1,032,689	30.3
45 to 54 years	2,487	13.4	480,807	14.1
55 to 59 years	984	5.3	176,961	5.2
60 to 64 years	755	4.1	131,652	3.9
65 years and over	<u>2,012</u>	<u>10.8</u>	<u>470,183</u>	<u>13.8</u>
Total	18,546	100.0	3,405,565	100.0
Median age	36.5	-	37.4	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Comparative Income Measures

	<u>Town of Montville</u>	<u>State of Connecticut</u>
Per capita income, 1999	\$22,357	\$28,766
Median family income, 1999	\$61,643	\$65,521
Median household income, 1999	\$55,086	\$53,935
Percent below poverty, 1999 (families) .	3.1%	5.6%

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Income Distribution

	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 - 9,999	113	2.4	33,423	3.8
10,000 - 14,999	60	1.3	23,593	2.7
15,000 - 24,999	271	5.8	63,262	7.1
25,000 - 34,999	443	9.4	75,413	8.5
35,000 - 49,999	730	15.6	120,134	13.6
50,000 - 74,999	1,404	29.9	198,924	22.5
75,000 - 99,999	956	20.4	141,981	16.0
100,000 - 149,999	546	11.6	132,177	14.9
150,000 - 199,999	101	2.2	42,472	4.8
200,000 and over	<u>64</u>	<u>1.4</u>	<u>54,368</u>	<u>6.1</u>
Total	4,688	100.0	885,747	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Educational Attainment

Years of School Completed - Age 25 and Over

	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th grade	517	4.1	132,917	5.8
9 th to 12 th grade, no diploma	1,512	12.0	234,739	10.2
High school graduate	4,956	39.4	653,300	28.5
Some college, no degree	2,507	19.9	402,741	17.5
Associate's degree	883	7.0	150,926	6.6
Bachelor's degree	1,275	10.1	416,751	18.2
Graduate or professional degree	<u>941</u>	<u>7.5</u>	<u>304,243</u>	<u>13.2</u>
Total	12,591	100.0	2,295,617	100.0
Total high school graduate or higher	-	83.9	-	84.0
Total bachelor's degree or higher	-	17.6	-	31.4

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Labor Force Data

<u>Reporting Period Average</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>		
				<u>Town of Montville</u>	<u>Norwich/ New London Labor Market</u>	<u>State of Connecticut</u>
August 2009	11,232	10,493	739	6.6	7.4	8.0
2008	11,088	10,485	603	5.4	5.5	5.7
2007	10,924	10,453	471	4.3	4.3	4.6
2006	10,944	10,498	446	4.1	4.2	4.4
2005	10,744	10,275	469	4.4	4.5	4.9
2004	10,571	10,114	457	4.3	4.5	4.9
2003	10,698	10,184	514	4.8	4.9	5.5
2002	10,497	10,084	413	3.9	3.9	4.4
2001	10,088	9,828	260	2.6	2.8	3.1
2000	9,421	9,214	207	2.2	2.3	2.3

Source: State of Connecticut, Labor Department, Office of Research.

Major Employers¹

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Full-Time Equivalent Employees</u>
Town of Montville	Municipality	736
Corrigan Correctional Center	Correctional facility	432
Stop & Shop	Supermarket	235
Faria Corporation	Electronic components	200
Home Depot	Retail	160
Hillcrest Montville LLC/Orchard Groves ..	Nursing home	140
Chili's	Restaurant	125
Smurfit Stone Container Corporation	Paperboard manufacturing	85
Rand-Whitney Group	Paperboard manufacturing	75
DW Transportation	Trucking company	66
AES Thames Inc.	Coal co-generating power	57
Montville Power LLC	Electric power	52
Pepsi-Co Bottlers	Beverages	35

Source: Town of Montville, Community Development Office.

¹The Mohegan Tribe Reservation is contiguous to the Town. The Mohegan Sun Casino employs approximately 10,000 people.

Industry Classification

<u>Sector</u>	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining.....	38	0.4	7,445	0.4
Construction	684	7.6	99,913	6.0
Manufacturing	1,217	13.6	246,607	14.8
Wholesale trade	302	3.4	53,231	3.2
Retail trade	1,183	13.2	185,633	11.2
Transportation, warehousing and utilities	643	7.2	64,662	3.9
Information	146	1.6	55,202	3.3
Finance, insurance, real estate and leasing	317	3.5	163,568	9.8
Professional, scientific, management, administrative and waste management	570	6.4	168,334	10.1
Educational, health and social services	1,574	17.6	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	1,472	16.5	111,424	6.7
Other services	257	2.9	74,499	4.5
Public administration	<u>542</u>	<u>6.1</u>	<u>67,354</u>	<u>4.1</u>
Total	8,945	100.0	1,664,440	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

**Commute to Work
16 years of age and over**

	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone	7,771	87.3	1,312,700	80.0
Car pools	834	9.4	154,400	9.4
Using public transportation	46	0.5	65,827	4.0
Walked	58	0.7	44,348	2.7
Using other means	38	0.4	12,130	0.8
Worked at home	<u>153</u>	<u>1.7</u>	<u>51,418</u>	<u>3.1</u>
Total	8,900	100.0	1,640,823	100.0
Mean travel to work (minutes)	23.5	-	24.4	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Number and Value of Building Permits

<u>Fiscal Year Ended 6/30</u>	<u>Residential</u>		<u>Commercial/ Industrial</u>		<u>Other¹</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2009	1,045	\$ 9,399,180	179	\$ 5,670,193	7	\$ 19,500	1,231	\$15,088,873
2008	1,093	18,511,544	127	14,404,773	35	243,650	1,255	33,159,967
2007	1,070	15,849,107	208	7,265,524	16	83,000	1,294	23,197,631
2006	1,243	18,150,307	154	22,409,553 ²	21	90,100	1,418	40,649,960
2005	1,242	21,645,141	107	8,826,393	11	33,000	1,360	30,504,534
2004	1,347	23,778,151	121	2,811,846	24	376,500	1,492	26,966,497
2003	1,385	24,090,632	144	7,974,373	15	66,462	1,544	32,131,467
2002	1,207	18,998,854	131	8,008,183	18	63,400	1,356	27,070,437
2001	1,110	13,656,775	163	30,574,653 ³	69	109,568	1,342	44,340,996
2000	1,103	12,798,990	127	7,159,090	21	188,093	1,251	20,146,173

¹ Includes additions, alterations, pools, etc.

² Includes construction of the Montville Commons shopping plaza.

³ Includes construction values of the waste water treatment plant expansion in the amount of \$9,000,000 and the Mohegan Tribe's \$9,300,000 elderly housing unit.

Source: Town of Montville, Building Department.

Housing Units by Type of Structure

<u>Household Characteristics</u>	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-family detached	5,110	75.1	816,706	58.9
Single-family attached	97	1.4	71,185	5.1
Multifamily	1,106	16.3	485,890	35.1
Mobile home, trailer, or other	<u>492</u>	<u>7.2</u>	<u>12,194</u>	<u>0.9</u>
Total	6,805	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Age Distribution of Housing

<u>Household Characteristics</u>	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Built in 1939 or earlier	864	12.7	308,896	22.3
Built in 1940-1969	2,875	42.3	571,218	41.2
Built in 1970-1979	1,338	19.7	203,377	14.7
Built in 1980-1989	949	13.9	183,405	13.2
Built in 1990-1994	347	5.1	56,058	4.0
Built in 1995-March 2000	<u>432</u>	<u>6.3</u>	<u>63,021</u>	<u>4.6</u>
Total	6,805	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Owner-occupied Housing Units

	<u>Town of Montville</u>		<u>State of Connecticut</u>	
Total owner-occupied units	4,973		869,729	
Persons per unit	2.73		2.67	

<u>Specified Owner-occupied Units</u>	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000	6	0.1	5,996	0.8
\$ 50,000 to \$ 99,999	589	13.9	85,221	11.7
\$100,000 to \$149,999	2,536	59.9	212,010	29.1
\$150,000 to \$199,999	731	17.3	156,397	21.5
\$200,000 to \$299,999	348	8.2	137,499	18.9
\$300,000 to \$499,999	21	0.5	79,047	10.9
\$500,000 or more	<u>6</u>	<u>0.1</u>	<u>52,074</u>	<u>7.1</u>
Total	4,237	100.0	728,244	100.0

Median value	\$125,600	-	\$166,900	-
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Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Number and Size of Households

<u>Household Characteristics</u>	<u>Town of Montville</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households	16,899	-	3,297,626	-
Persons per household (average)	2.63	-	2.53	-
Persons per family	3.05	-	3.08	-
Family households	4,681	72.8	881,170	67.7
Non-family households	<u>1,745</u>	<u>27.2</u>	<u>420,500</u>	<u>32.3</u>
All households	6,426	100.0	1,301,670	100.0
Family households by type				
Married couple	3,766	80.5	676,467	76.8
Female householders, no spouse	638	13.6	157,411	17.8
Other	<u>277</u>	<u>5.9</u>	<u>47,292</u>	<u>5.4</u>
Total family households	4,681	100.0	881,170	100.0
Non-family households by type				
Householders living alone	1,370	78.5	344,224	81.9
Other	<u>375</u>	<u>21.5</u>	<u>76,276</u>	<u>18.1</u>
Total non-family households	1,745	100.0	420,500	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

SECTION IV - DEBT SECTION

**Debt Summary
Pro Forma
As of November 17, 2009**

Outstanding Short-term Debt

The Town does not have any outstanding short-term debt.

Outstanding Bonded Debt

<u>Dated</u> <u>Date</u>	<u>Purpose</u>	<u>Rate</u>	<u>Original</u> <u>Issue</u>	<u>Amount</u> <u>Outstanding</u>	<u>Final</u> <u>Maturity</u>
03/15/88	Sewer	6.25-7.00	\$ 7,310,000	\$ 1,310,000	03/15/15
04/15/91	School	5.40-7.40	11,500,000	1,150,000	06/15/11
03/01/92	School	5.00-7.00	5,000,000	750,000	03/01/12
03/01/92	Sewer	5.00-7.00	3,780,000	555,000	03/01/12
03/01/94	General purpose	2.75-5.50	2,845,000	435,000	12/01/13
03/01/94	Sewer	2.75-5.50	5,020,000	1,045,000	12/01/13
03/01/94	Sewer (taxable)	4.30-7.50	2,130,000	345,000	12/01/11
02/15/99	Lot A - sewer	4.00-6.00	2,650,000	1,300,000	02/15/10
02/15/99	Lot B - sewer (taxable)	6.60	1,350,000	700,000	02/15/19
11/15/01	General purpose	3.00-5.00	3,790,000	2,272,000	07/15/12
11/15/01	School	3.00-5.00	707,000	423,000	07/15/12
09/15/04	School	2.50-4.50	10,000,000	8,260,000	09/15/22
09/15/06	School	3.625-5.00	10,000,000	8,940,000	09/15/26
09/15/07	School	3.70-4.50	2,999,500	2,699,550	09/15/27
09/15/07	Water supply	3.70-4.50	3,300,500	2,970,450	09/15/27
11/15/09	This issue	-	12,000,000	<u>12,000,000</u>	10/15/23
Total				<u>\$45,155,000</u>	

Other Commitments

The Town leases equipment under various capital leases. As of November 17, 2009, minimum lease payments were \$293,227.

**Overlapping/Underlying Debt
Pro Forma
As of November 17, 2009**

The Town has no overlapping or underlying debt.

**Bonded Debt Maturity Schedule
Pro Forma
As of November 17, 2009**

Fiscal Year Ending	Principal Payments	Interest Payments¹	Total Payments	This Issue	Cumulative Principal Retired
2010 ²	\$ 1,915,000	\$ 814,686	\$ 2,729,686	\$ -	4.24
2011	3,445,000	1,313,724	4,758,724	-	11.87
2012	2,965,000	1,137,496	4,102,496	-	18.44
2013	2,240,000	1,007,630	3,247,630	1,000,000	25.61
2014	2,230,000	909,872	3,139,872	1,000,000	32.76
2015	2,035,000	812,792	2,847,792	1,000,000	39.49
2016	1,825,000	722,349	2,547,349	1,000,000	45.74
2017	1,825,000	647,659	2,472,659	1,000,000	52.00
2018	1,825,000	571,019	2,396,019	1,000,000	58.25
2019	1,825,000	493,174	2,318,174	1,000,000	64.51
2020	1,625,000	415,995	2,040,995	1,000,000	70.32
2021	1,625,000	349,454	1,974,454	1,000,000	76.14
2022	1,610,000	283,080	1,893,080	1,000,000	81.92
2023	1,390,000	222,069	1,612,069	1,000,000	87.21
2024	1,390,000	165,792	1,555,792	1,000,000	92.50
2025	1,390,000	108,631	1,498,631	-	95.58
2026	840,000	63,000	903,000	-	97.44
2027	840,000	29,400	869,400	-	99.30
2028	<u>315,000</u>	<u>6,300</u>	<u>321,300</u>	<u>-</u>	100.00
Total	\$33,155,000	\$10,074,122	\$43,229,122	\$12,000,000	

¹ Does not include interest on this issue.

² Excludes \$1,530,000 principal payments and \$672,555 interest payments made from July 1, 2009 through November 17, 2009.

**THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF ITS
OBLIGATIONS EITHER AS TO PRINCIPAL OR INTEREST**

**Statement of Statutory Debt Limitation
Pro Forma
As of November 17, 2009**

Debt Limitation Base

Estimated total tax collections for the Town, including interest and lien fees, for the fiscal year ended June 30, 2009 (unaudited)	<u>\$31,043,411</u>
Debt Limitation Base	<u>\$31,043,411</u>

Debt Margin

<u>Debt Limitation by Purpose</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>
2.25 x base	\$69,847,675				
4.50 x base	-	\$139,695,350			
3.75 x base	-	-	\$116,412,791		
3.25 x base	-	-	-	\$100,891,086	
3.00 x base	-	-	-	-	\$93,130,233
Total debt limitation	<u>69,847,675</u>	<u>139,695,350</u>	<u>116,412,791</u>	<u>100,891,086</u>	<u>93,130,233</u>
Less indebtedness ¹ :					
This issue	12,000,000	-	-	-	-
Bonds payable ¹	2,707,000	22,222,550	5,255,000	-	-
Bonds authorized but unissued	-	<u>7,900,500</u>	-	-	-
Total overall debt	<u>14,707,000</u>	<u>30,123,050</u>	<u>5,255,000</u>	-	-
Less:					
School construction grants receivable	-	<u>1,057,764</u>	-	-	-
Total overall net debt	<u>14,707,000</u>	<u>29,065,286</u>	<u>5,255,000</u>	-	-
Debt limitation in excess of outstanding and authorized debt	\$55,140,675	\$110,630,064	\$111,157,791	\$100,891,086	\$93,130,233

¹ Water debt excluded by State statute.

The General Statutes require that in no event shall the total debt for the Town of Montville exceed seven (7) times the annual receipts from taxation. Maximum debt for the Town of Montville under this formula is \$217,303,877.

**Current Debt Statement¹
Pro Forma
As of November 17, 2009**

Bonded debt:	
General purpose (including this issue)	\$17,677,450
Schools	22,222,550
Sewers	<u>5,255,000</u>
Total bonded debt	45,155,000
Short-term debt	<u> -</u>
Total overall debt	45,155,000
Less State school grants receivable	<u>1,057,764</u>
Total overall net debt	\$44,097,236

**Current Debt Ratios
Pro Forma
As of November 17, 2009**

Population, 2007 ¹	19,744
Per capita income, 1999 ²	\$22,357
Net taxable grand list, 10/1/08	\$1,499,655,585
Estimated full value @ 70%	\$2,142,365,121
Equalized net grand list (2007) ³	\$2,202,457,900

	Total Overall Debt	Total Overall Net Debt
	<u>\$45,155,000</u>	<u>\$44,097,236</u>
Per capita	\$2,287.02	\$2,233.45
To net taxable grand list	3.01%	2.94%
To estimated full value	2.11%	2.06%
To equalized net grand list	2.05%	2.00%
Ratio of debt per capita to per capita income	10.23%	9.99%

¹ State of Connecticut, Department of Public Health estimate.
² U.S. Department of Commerce, Bureau of Census, 2000 Census.
³ State of Connecticut, Office of Policy and Management.

Five-year Debt Statement Summary

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Population ¹	19,744	19,744	19,660	19,612	19,846
Net taxable grand list	\$1,468,999,735	\$1,028,853,850	\$1,020,021,400	\$1,004,578,232	\$986,847,865
Estimated full value	\$2,098,571,050	\$1,726,934,071	\$1,457,540,951	\$1,435,111,760	\$1,409,782,664
Equalized net taxable grand list ²	\$2,113,241,213	\$2,370,496,538	\$2,076,079,118	\$1,917,668,059	\$1,715,704,553
Per capita income ³	\$22,357	\$22,357	\$22,357	\$22,357	\$22,357
Bond anticipation notes ...	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Bonded debt	38,135,000	34,440,000	27,043,955	29,242,760	21,376,565
Capital leases	439,785	576,810	783,770	837,416	1,008,615
Overall debt	38,574,785	35,016,810	27,827,725	30,080,176	22,475,180
Less:					
School construction grants	1,725,727	2,258,001	2,790,275	3,322,549	3,862,457
Assessments/user charges receivable	965,042	1,208,462	1,660,000	1,997,866	2,336,091
Overall net debt	\$35,884,016	\$31,550,347	\$23,377,450	\$24,759,761	\$16,276,632

¹ State of Connecticut, Department of Health Services estimate.

² State of Connecticut, Office of Policy and Management.

³ U.S. Department of Commerce, Bureau of Census, 2000 Census.

Five-year Debt Statement Summary Ratios

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Overall debt:					
Per capita	\$1,953.75	\$1,773.54	\$1,415.45	\$1,533.76	\$1,132.48
To net taxable grand list	2.63%	3.40%	2.73%	2.99%	2.28%
To estimated full value	1.84%	2.38%	1.91%	2.10%	1.59%
To equalized net taxable grand list	1.83%	1.48%	1.34%	1.57%	1.31%
Overall debt per capita to per capita income	8.74%	7.93%	6.33%	6.86%	5.07%
Overall net debt:					
Per capita	\$1,817.46	\$1,597.97	\$1,189.09	\$1,262.48	\$820.15
To net taxable grand list	2.44%	3.07%	2.29%	2.46%	1.65%
To estimated full value	1.71%	2.15%	1.60%	1.73%	1.15%
To equalized net taxable grand list	1.70%	1.33%	1.13%	1.29%	0.95%
Overall net debt per capita to per capita income	8.13%	7.15%	5.32%	5.65%	3.67%

**Comparison of Annual Debt Service
to General Fund Expenditures**

Fiscal Year Ended June 30	Debt Service	Total Expenditures	Debt Service as Ratio to Total Expenditures
2009 (unaudited)	\$4,857,912	\$56,253,239	8.64%
2008	3,978,148	58,737,124	6.77
2007	3,494,681	53,475,367	6.53
2006	3,379,227	49,622,329	6.81
2005	2,929,161	45,930,598	6.38
2004	2,838,204	45,743,048	6.20

Authorized but Unissued Debt

Project	Date Authorized	Bonds Authorized	Bonds Issued	Authorized but Unissued
School renovations and expansion	6/3/03, 3/7/06	\$30,900,000	\$22,999,500	\$7,900,500

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes shall be authorized upon the recommendation of the Town Council and approved by the Town meeting. Any borrowing in excess of five percent of the current tax levy shall be approved by a referendum of the electors and eligible taxpayers. Bonds and notes may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes and the Town Charter.

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and for certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years, from their initial borrowing date, except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

SECTION V - FINANCIAL SECTION

**Taxable Grand List
(\$ in thousands)**

Grand List 10/1	Residential Real Property	Commercial and Industrial Real Property	Other Percent	Personal Property Percent	Motor Vehicle Percent	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	Percent Change
	Percent	Percent							
2008	69.6	10.3	1.7	11.1	7.3	\$1,529,219	\$29,563	\$1,499,656	1.1
2007	70.2	10.1	1.7	10.2	7.8	1,508,577	25,547	1,483,030	1.0
2006	70.9	9.6	1.7	10.0	7.8	1,488,925	19,925	1,469,000	42.8
2005	61.1	10.0	4.1	13.7	11.1	1,045,046	16,192	1,028,854	0.9
2004	59.9	9.8	5.5	14.5	10.3	1,033,775	13,754	1,020,021	-

Date of last general revaluation, 10/1/06.

Major Taxpayers

Name	Business	Taxable Valuation As of 10/1/08	Percent of Net Taxable Grand List
AES Thames LLC	Power generation	\$54,282,867	3.62
Rand-Whitney Containerboard LTD	Paper/paperboard/cogeneration	24,952,478	1.66
Connecticut Light & Power Co.	Utility	20,331,928	1.36
Second Family LLC	Development/retail	16,060,560	1.07
Home Depot USA Inc.	Retail Store	15,213,640	1.01
Montville Power LLC	Power generation	15,002,936	1.00
Jensens Inc.	Active adult community	7,033,560	0.47
Margaritaville Enterprises LLC	Restaurant/retail store	6,395,679	0.43
Mohegan Hill Development LLC	Development/mixed use	6,265,820	0.42
Smurfit Stone Connecticut Paperboard Corp.	Paperboard products	<u>5,660,950</u>	<u>0.38</u>
Total		\$171,200,418	11.42

Net Taxable Grand List for 10/1/08: \$1,499,655,585.

Tax Collections

Fiscal Year Ended 6/30	Grand List 10/1	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/09
2010	2008	21.43	\$32,178,722		-----In collection-----	
2009 ¹	2007	21.00	31,098,748	97.6	2.4	2.4
2008	2006	21.00	30,950,275	98.2	1.8	0.8
2007	2005	29.86	30,845,751	98.0 ²	2.0	0.5
2006	2004	29.10	30,121,310	97.7 ²	2.3	0.3
2005	2003	27.97	28,312,849	98.5	1.5	0.2
2004	2002	27.37	27,068,565	98.3	1.7	0.1

¹Unaudited.

²Rand Whitney elected to pay only 75% of its tax bill for the October 1, 2004 and 2005 grand lists as allowed under State statute pending post-verdict motions to be decided by the court.

Property Taxes Receivable

<u>Fiscal Year Ended June 30</u>	<u>Current Year Taxes Receivable</u>	<u>Total Taxes Receivable</u>
2009 (unaudited)	\$747,545	\$1,151,157
2008	564,530	1,382,348
2007	634,039	1,368,464
2006	704,973	1,385,350
2005	421,936	1,165,195
2004	452,554	1,549,573

Five-year Capital Improvement Program¹

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Total</u>
<i>Uses of funds</i>						
General government	\$ -	\$ 55,000	\$ 40,725	\$ -	\$ -	\$ 95,725
Recreation	144,519	83,481	18,000	-	-	246,000
Public safety	213,500	525,500	380,500	400,500	115,500	1,635,500
Public works	380,936	791,500	820,500	750,000	625,000	3,367,936
WPCA	86,000	126,000	96,000	76,000	76,000	460,000
Board of Education	<u>177,707</u>	<u>578,525</u>	<u>632,206</u>	<u>571,012</u>	<u>496,814</u>	<u>2,456,264</u>
Total uses	\$1,002,662	\$2,160,006	\$1,987,931	\$1,797,512	\$1,313,314	\$8,261,425
<i>Sources of funds</i>						
General government	\$ 229,500					
Capital nonrecurring	301,747					
Prior appropriation	172,479					
Grants	<u>298,936</u>					
Total sources	\$1,002,662					

¹The Town Council adopted this Capital Improvement Plan in May 2009.

Summary of Accounting Principles

The Town's accounting policies and financial statements have been modified effective July 1, 2003 to conform with the financial reporting standards required by Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

The Town's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The General Fund is the general operating fund of the Town government. The Town's General Fund accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. In addition, the Town has three enterprise funds: the Sewer Fund, the Water Fund and the Internal Service Fund. The Sewer Fund is used to account for the activities of the Town's Sewer Department. The Water Fund, which accounts for activities of the Town's Water Department, is a non-major fund. The Internal Service Fund is used to account for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10. The accounting policies of the Town conform to generally accepted accounting principles as applied to governmental units. (See Appendix A - "Auditor's Section, Notes to Financial Statements" herein.)

Comparative Balance Sheets - General Fund

	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/04</u>
Assets					
Cash and cash equivalents	\$11,483,790	\$15,607,587	\$13,053,730	\$13,117,020	\$ 3,320,549
Receivables:					
Property taxes	1,052,848	1,386,747	1,385,350	1,165,195	1,549,573
Assessments/user charges	941,636	1,189,972	1,496,253	1,997,866	2,336,091
Intergovernmental	1,725,727	2,258,001	-	-	-
Other	233,848	178,208	204,189	116,674	98,680
Due from other funds	4,407,898	766,223	126,369	393,405	2,621,309
Advances to other funds	1,200,000	1,200,000	1,200,000	1,800,000	1,200,000
Other	-	7,421	3,939	-	-
Total assets	<u>\$21,045,747</u>	<u>\$22,594,159</u>	<u>\$17,469,830</u>	<u>\$18,590,160</u>	<u>\$11,126,202</u>
Liabilities and fund equity					
Liabilities					
Accounts payable and accrued					
liabilities	\$ 1,278,399	\$ 678,506	\$ 1,996,144	\$ 2,289,132	\$ 1,229,736
Due to other funds	3,784,324	6,699,364	3,394,341	6,234,480	1,064,735
Deferred revenue	<u>3,621,436</u>	<u>4,671,570</u>	<u>2,810,742</u>	<u>3,061,807</u>	<u>3,764,500</u>
Total liabilities	8,684,159	12,049,440	8,201,227	11,585,419	6,058,971
Fund balance					
Reserved	3,213,494	2,861,234	2,974,190	3,499,195	2,453,584
Unreserved:					
Designated	3,417,654	1,702,800	245,000	-	-
Undesignated	<u>5,730,440</u>	<u>5,980,685</u>	<u>6,049,413</u>	<u>3,505,546</u>	<u>2,613,647</u>
General Fund balance	<u>12,361,588</u>	<u>10,544,719</u>	<u>9,268,603</u>	<u>7,004,741</u>	<u>5,067,231</u>
Total liabilities and fund balance	<u>\$21,045,747</u>	<u>\$22,594,159</u>	<u>\$17,469,830</u>	<u>\$18,590,160</u>	<u>\$11,126,202</u>
Operating revenues	\$57,232,675	\$54,195,321	\$52,145,751	\$48,140,298	\$45,843,291
Fund balance as percent of					
operating revenues	21.6%	19.5%	17.8%	14.6%	11.1%
Undesignated fund balance as					
percent of operating revenues	10.0%	11.0%	11.6%	7.3%	5.7%

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2005 through 2008 have been derived from audited financial statements. The budget for 2009-10 and estimated results of operations for 2008-09 are provided by the Town. The financial information presented herein is the responsibility of the Town's management (Appendix A - "Auditor's Section" was taken from the Annual Financial Report of the Town for the fiscal year ended June 30, 2008).

	Approved Budget 2009-10	Estimated 2008-09¹	2007-08	2006-07	2005-06	2004-05
Revenues						
Property taxes	\$32,828,621	\$31,114,155	\$31,312,764	\$31,240,690	\$30,289,355	\$29,025,276
Intergovernmental	17,507,615	18,927,983	21,898,983	18,635,799	17,219,091	15,447,378
Licenses and permits	895,000	691,397	869,921	859,905	1,053,287	906,902
Charges for services	2,026,500	1,726,333	2,023,553	1,972,533	2,070,728	1,874,164
Investment income	1,076,000	462,426	1,127,454	1,486,394	1,513,290	886,578
Prior year fund balance	<u>850,000</u>	<u>1,142,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	55,183,736	54,064,948	57,232,675	54,195,321	52,145,751	48,140,298
Expenditures						
General government	6,971,965	7,606,093	10,011,073	7,268,691	5,976,217	5,098,797
Public safety	3,225,696	3,476,045	3,243,426	3,030,129	2,886,739	2,718,618
Health	165,059	148,642	149,954	149,561	150,111	140,684
Public works	3,646,678	3,636,748	3,317,161	3,404,142	3,382,365	3,309,415
Recreation	233,414	210,804	271,640	237,997	241,723	246,132
Social services	32,630	30,296	56,542	80,339	51,675	19,601
Miscellaneous	66,400	58,451	74,907	69,918	71,222	65,299
Board of Education	35,910,925	35,521,854	34,190,134	35,226,227	33,121,933	30,922,638
Debt service	4,787,469	4,857,912	3,978,148	3,494,681	3,379,227	2,929,161
Capital outlay	<u>143,500</u>	<u>706,374</u>	<u>-</u>	<u>483,682</u>	<u>361,117</u>	<u>480,253</u>
Total expenditures	55,183,736	56,253,219	58,737,124	53,475,367	49,622,329	45,930,598
Excess (deficiency) of revenues over expenditures	-	(2,188,271)	(1,504,449)	719,954	2,523,422	2,209,700
Other financing sources (uses):						
Bond proceeds		-	3,300,500	-	-	-
Transfers in		22,500	50,818	-	-	59,897
Transfers out		<u>(30,000)</u>	<u>(30,000)</u>	<u>(793,838)</u>	<u>(259,560)</u>	<u>(332,087)</u>
Net other financing sources (uses)		(7,500)	3,321,318	(793,838)	(259,560)	(272,190)
Excess (deficiency) of revenues and other sources over (under) expenditures and other sources (uses)		(2,195,771)	1,816,869	(73,884)	2,263,862	1,937,510
Extraordinary item						
State teachers on-behalf payments		-	(10,155,000)	-	-	-
State teachers on-behalf revenue		-	10,155,000			
Fund balance, beginning		12,361,588	10,544,79	9,268,603	7,004,741	5,067,231
Restatement		<u>-</u>	<u>-</u>	<u>1,350,000</u>	<u>-</u>	<u>-</u>
Fund balance, beginning, as restated		<u>12,361,588</u>	<u>10,544,719</u>	<u>10,618,603</u>	<u>7,004,741</u>	<u>5,067,231</u>
Fund balance, ending		\$10,165,817	\$12,361,588	\$10,544,719	\$9,268,603	\$7,004,741

¹ Unaudited.

Intergovernmental Revenues as a Percent of General Fund Revenues

Fiscal Year Ended June 30	Intergovernmental Revenues	General Fund Revenues	Percent
2009 (unaudited)	\$18,927,983	\$54,064,948	35.0
2008	21,898,986	57,232,675	38.3
2007	18,635,799	54,195,321	34.4
2006	17,219,091	52,145,751	33.0
2005	15,447,378	48,140,298	32.1
2004	15,299,104	45,843,291	33.4

Budget Adoption Procedure

The Town establishes its General Fund budget in accordance with provisions of its Town Charter and Connecticut General Statutes. The Director of Finance receives programs showing services, activities, and work accomplished in the preceding year and to be accomplished in the coming year from each department, office, or agency of the Town supported wholly or in part by Town funds or for which a specific Town appropriation is made.

Date

Action

By 100 days before the close of the fiscal year

The head of each department, office, and agency submits to the Director of Finance detailed estimates of expenditures and any revenues other than tax revenues expected to be collected.

By 75 days before the close of the fiscal year

The Mayor submits a Capital Improvement Program (“CIP”) for the ensuing fiscal year and the subsequent four years to the Town Council for changes from the prior year’s program. The CIP is then submitted to the Planning and Zoning Commission for approval. The Council then adopts the CIP. The CIP details the projects, cost estimates, methods of financing, time schedules, and the estimated annual cost of facility operation.

By 75 days before the close of the fiscal year

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 budget 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 over-riden by a two-thirds vote of the entire Town Council.

By 30 days before the close of the fiscal year

The Town Council adopts the final budget.

If the Town Council fails to adopt a budget within the prescribed time frame, the previous year’s budget prevails on a month-to-month basis until the new budget is adopted. Additional appropriations may be made during the year by resolution of the Town Council.

Assessment Practices

Public Act No. 04-2 of the May 2004 Special Session of the Connecticut General Assembly (the “Act”) modified the required cycle of revaluation and lengthened the cycle from four years to five years. Generally, the law requires revaluation every five years and a general revaluation based on physical observation where the preceding revaluation in the five-year cycle was a statistical revaluation. The Town last completed a statistical

reevaluation on the October 1, 2006 grand list, and a physical inspection will be required for the assessment year commencing October 1, 2011.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All personal property (commercial furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An Assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

Annual Audit

The Town, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent CPA firm to audit its financial records annually. The annual audits are conducted in compliance with Public Act 77-611 and contain the financial statements of the Town and the auditor's opinion thereon, in addition to specific comments and recommendations.

Tax Levy and Collection

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real estate tax bills are payable in two installments - July 1 and January 1. Real estate taxes of less than \$50, motor vehicle taxes, and personal property taxes are due in one installment in July. Supplemental motor vehicle taxes (those vehicles registered between October 2 and July 31) are due in one installment in January. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year, with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense fifteen years after the due date in accordance with state statutes.

Pension Plans

The Town makes contributions to one public employee retirement system covering substantially all full-time municipal employees except teachers and firefighters. The Town firefighters have contributions made to individual retirement accounts, which began in 1990.

Municipal Employees Retirement System: This system is a cost-sharing multiple-employer public employee retirement system (“PERS”) defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. This system is considered to be a part of the State of Connecticut’s financial reporting entity and is included in the State’s financial reports as a pension trust fund.

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

Connecticut Teachers Retirement System: All teachers employed by the Town participate in the Connecticut Teachers Retirement System under Section 10.183 of the Connecticut General Statutes. The retirement system for teachers is funded by the State based upon the recommendation of the Teachers’ Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not have any liability for teacher pensions.

See Appendix A – “Auditor’s Section, Notes to Basic Financial Statements, Note IV.C.” herein.

Other Post-Employment Benefits

The Town provides post-employment benefits for retirees who meet certain requirements regarding age and years of service. The Town is in the process of complying with the requirements of Governmental Accounting Standards Board (“GASB”) Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their Other Post-employment Benefits (“OPEB”) plans and include information concerning the valuation of such plans in their financial statements. The Town will be required to comply with the reporting requirements of GASB 45 beginning with the 2009 fiscal year. The Town is in the process of retaining an actuarial firm to prepare an initial valuation of its OPEB liability.

Investment Practices

Section 604 the Montville Town Charter provides the Director of Finance, with the approval of the Mayor, the authority to set investment policy for the Town’s operating funds. The investment program undertaken by the Director of Finance seeks to earn the highest returns available taking into consideration prudent investment principles. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of principal as well as the probable income to be derived. The Director of Finance will undertake to maximize the yield on investments consistent with the requirements for safety and minimization of risk and with the requirement that funds be available for payment when due.

In addition, the Town monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, in which it places deposits or makes investments.

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Sections 3-27, 7-400, 7-401 and 7-402. The Town’s operating and working capital funds are invested under the responsibility and authority of the Town Treasurer. Currently, the Town’s short-term investments consist of: (1) various certificates of deposit with Connecticut banks; (2) the State of Connecticut Short Term

Investment Fund; (3) the State of Connecticut Tax-Exempt Proceeds Fund; and (4) MBIA CLASS (an investment fund managed by MBIA Municipal Investors Service Corporation, which, according to MBIA CLASS, invests only in (i) high-grade short-term Federal securities and variable rate obligations backed by Federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) very short-term (usually overnight) repurchase agreements secured by high-quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefit of the pool's participants.

See Appendix A - "Auditor's Section, Notes to Basic Financial Statements, Note III.A" herein regarding the Town's audited cash and cash equivalent investments at June 30, 2008.

Risk Management

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

The Town established an internal service fund, the health insurance fund, to account for and finance the retained risk of loss for Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The health insurance fund provides coverage for all eligible full-time employees. The Town has purchased a stop-loss policy for total claims in any one year exceeding an aggregate of 125% of expected claims and for individual claims exceeding \$125,000 for combined hospital and major medical.

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

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

SECTION VI - ADDITIONAL INFORMATION

Commitments and Litigation

Following consultation with the Town Attorney, and other attorneys providing legal services to the Town, Town officials advise that the Town, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town, which would materially adversely affect its financial position.

The Town has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agency. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under the terms of the grant. Based upon prior experience, Town officials believe such disallowances, if any, will not be material.

Continuing Disclosure

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management, within six months of the end of its fiscal year. The Town provides, and will continue to provide, to Moody's Investors Service ongoing disclosure in the form of the Annual Financial Report, Recommended and Adopted Budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12. See Appendix C to this Official Statement, Form of Continuing Disclosure Agreement. The original purchaser's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

To date the Town has not failed to meet any of its undertakings under such agreements, except for the filing of its June 30, 2005 annual financial information and operating data which was filed after the required due date.

Documents to Be Furnished at Closing

The original purchaser of the Bonds will be furnished, subject to delivery of reoffering yield information as requested in the Notice of Sale, the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Mayor, the Director of Finance and the Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds were accepted the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form included in Appendix C to this Official Statement.

Within seven business days after the bid opening, the Town will furnish the original purchaser of the Bonds 100 copies of the Official Statement as prepared by the Town. Additional copies may be obtained by the

original purchaser at its own expense by arrangement with the printer. If the Town's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds by the Town, and may not be reproduced or used in whole or in part for any other purpose.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

TOWN OF MONTVILLE, CONNECTICUT

By: _____
Joseph W. Jaskiewicz
Mayor

By: _____
Theresa Fafard
Director of Finance

By: _____
Pamela Bonnano
Treasurer

Dated as of October ____, 2009

Appendix A – Auditor’s Section

The following includes the Audited Financial Statements of the Town of Montville, Connecticut for the fiscal year ended June 30, 2008. The supplemental statements and schedules and management letter which were a part of that report have not been reproduced herein. A copy of the complete report is available upon request from Christine R. Caruolo, CTP, Assistant Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, telephone: (860) 692-1711.

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut (the "Town") as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated December 18, 2008 on our consideration of the Town of Montville, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

McGladrey & Pullen, LLP

New Haven, Connecticut
December 18, 2008

DEPARTMENT OF FINANCE
Town of Montville

310 Norwich-New London Turnpike
Uncasville, Connecticut 06382-2599

Business: (860) 848-3030
Fax: (860) 848-1521

**Town of Montville, Connecticut
Management's Discussion and Analysis
June 30, 2008**

The management of the Town of Montville, Connecticut offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- ◆ The net assets of the Town exceeded its liabilities at the close of the fiscal year by \$103,356,259 (*net assets*).
- ◆ The Town's total net assets increased by \$10,764,293.
- ◆ As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,130,149, a decrease of \$6,464,623 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$5,730,440 or 10% of total general fund expenditures and transfers out of \$55,466,624.
- ◆ The Town's total bond/note debt increased by \$3,695,000 (11%) during the current fiscal year due to bond proceeds during the year.

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 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 private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

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

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

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, health, social services, recreation and education. The business-type activities of the Town include a waste-operating facility and a water transmission system.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

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

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

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

The Town maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and bonded projects fund, both of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. The Town's assets exceeded liabilities by \$103,356,259 at the close of the fiscal year.

By far the largest portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF MONTVILLE, CONNECTICUT
NET ASSETS
JUNE 30, 2008

	June 30, 2008			June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 18,052,084	\$ 2,085,699	\$ 20,137,783	\$ 23,727,787	\$ 2,557,367	\$ 26,285,154
Capital assets	87,602,521	61,899,079	149,501,600	71,380,338	57,090,682	128,471,020
Total Assets	105,654,605	63,984,778	169,639,383	95,108,125	59,648,049	154,756,174
Other liabilities	5,677,955	2,232,321	7,910,276	4,401,198	2,496,769	6,897,967
Long-term liabilities	52,861,774	5,511,073	58,372,847	51,991,240	3,275,000	55,266,240
Total Liabilities	58,539,729	7,743,394	66,283,123	56,392,438	5,771,769	62,164,207
Net assets:						
Invested in capital assets, net of related debt	51,927,736	56,388,005	108,315,741	39,638,528	53,815,682	93,454,210
Unrestricted (Deficits)	(4,812,861)	(146,621)	(4,959,482)	(922,842)	60,598	(862,244)
Total Net Assets	\$ 47,114,875	\$ 56,241,384	\$ 103,356,259	\$ 38,715,686	\$ 53,876,280	\$ 92,591,966

TOWN OF MONTVILLE, CONNECTICUT
CHANGES IN NET ASSETS
JUNE 30, 2008

	Year Ended June 30, 2008			Year Ended June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charge for services	\$ 3,777,011	\$ 5,069,820	\$ 8,846,831	\$ 3,819,281	\$ 5,333,761	\$ 9,153,042
Operating grants and contributions	17,057,142	-	17,057,142	15,219,823	-	15,219,823
Capital grants and contributions	6,056,741	3,300,500	9,357,241	7,721,689	1,280,143	9,001,832
General Revenues:						
Property Taxes	30,262,730	-	30,262,730	30,384,065	-	30,384,065
Grants, contributions not restricted to specific programs	6,309,413	-	6,309,413	4,860,716	-	4,860,716
Investment income	1,151,066	34,460	1,185,526	1,520,270	38,796	1,559,066
Total Revenues	64,614,103	8,404,780	73,018,883	63,525,844	6,652,700	70,178,544
Expenses:						
Program Activities						
Primary Government:						
General government	7,411,207	-	7,411,207	20,622,524	-	20,622,524
Public safety	3,474,307	-	3,474,307	3,134,704	-	3,134,704
Public works	4,414,887	-	4,414,887	3,624,299	-	3,624,299
Health and welfare	149,954	-	149,954	149,561	-	149,561
Social services	71,931	-	71,931	88,380	-	88,380
Recreation	303,020	-	303,020	299,102	-	299,102
Miscellaneous	-	-	-	69,918	-	69,918
Education	38,604,371	-	38,604,371	36,647,060	-	36,647,060
Interest expense	1,785,237	-	1,785,237	1,356,616	-	1,356,616
Business-Type Activities:						
Sewer department	-	5,454,428	5,454,428	-	5,505,485	5,505,485
Water department	-	585,248	585,248	-	271,724	271,724
Total Expenses	56,214,914	6,039,676	62,254,590	65,992,164	5,777,209	71,769,373
Extraordinary item:						
State teachers on-behalf revenue	10,155,000	-	10,155,000	-	-	-
State teachers on-behalf payments	(10,155,000)	-	(10,155,000)	-	-	-
	-	-	-	-	-	-
Change in net assets	8,399,189	2,365,104	10,764,293	(2,466,320)	875,491	(1,590,829)
Net assets – beginning	38,715,686	53,876,280	92,591,966	41,182,006	53,000,789	94,182,795
Net assets - ending	\$ 47,114,875	\$ 56,241,384	\$ 103,356,259	\$ 38,715,686	\$ 53,876,280	\$ 92,591,966

Governmental Activities

For governmental activities, 49% of the revenues were derived from property taxes, followed by 43% from intergovernmental revenues.

Major revenue factors included:

- ◆ Unrestricted grants increased from state funding for various programs.

For governmental activities, approximately 63% of the Town's expenses relate to education, almost 18% relate to general government, over 9% relate to public works operations, 6% to public safety and the remaining 4% relate to interest expense, health and welfare, social services, recreation and miscellaneous.

Major expense factors include:

- ◆ General government decreased approximately 51% due to litigation judgements against the Town in the prior year.
- ◆ Interest expense increased approximately 32% due to additional bond proceeds.

Business-Type Activities

Business-type activities increased the Town's net assets by \$2,365,104. This increase was due primarily to additional grants for construction projects of the water fund and service charge increases for the sewer and water fund.

Financial Analysis of the Fund Financial Statements

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,130,149. Approximately 54% of this total amount \$3,855,707 constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$5,730,440, while total fund balance reached \$12,361,588. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 10% of total general fund expenditures, while total fund balance represents 21% of that same amount.

The fund balance for the Town's general fund increased by \$1,816,869 during the current fiscal year. A key factor in this is as follows:

- ◆ An increase in grants from state funding for various programs.

The Bonded Projects Fund has a total fund deficit of \$7,094,301 at June 30, 2008. The net decrease in fund balance during the current year in the Bonded Projects Fund was \$7,747,417. The decrease was due to school construction costs.

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

Net assets of the Sewer Department at the end of the year were \$46.2 million, a decrease of \$550,211 over the prior year due to higher operating costs. Unrestricted net assets for the Sewer Department reflected a deficit of \$365,454.

Total net assets for the Water Department at the end of the fiscal year were approximately \$10 million, an increase of approximately \$2.9 million due primarily to a capital contribution in the current year.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$32,100.

During the year, actual revenues and transfers in were \$54,768,493, which exceeded budgetary estimates by \$358,629. Major contributors were:

- ◆ Investment income higher than anticipated due to larger cash balance.
- ◆ Intergovernmental revenues were received at a higher than anticipated level, primarily for education.

Actual expenditures and transfers out on a budgetary basis totaled \$53,304,882. Actual revenues and other financing sources exceeded expenditures and other financing uses by \$1,463,611.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$149.5 million (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total net increase in the Town's investment in capital assets for the current fiscal year was \$21 million (excluding depreciation), an increase of 16.3%.

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

- ◆ Construction in progress additions for the renovations of six schools.
- ◆ Improvements to the sewer and water systems to include additional lines on the water system.

**TOWN OF MONTVILLE, CONNECTICUT
CAPITAL ASSETS, NET OF DEPRECIATION
JUNE 30, 2008 AND 2007**

	June 30, 2008			June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 1,540,068	\$ 1,106,731	\$ 2,646,799	\$ 1,087,958	\$ 1,106,731	\$ 2,194,689
Construction in progress	43,274,217	1,617,915	44,892,132	26,714,876	1,617,915	28,332,791
Land improvements	332,173	-	332,173	363,892	-	363,892
Building and improvements	28,004,014	14,397,352	42,401,366	28,356,471	14,765,012	43,121,483
Distribution and collection system	-	37,348,553	37,348,553	-	31,815,907	31,815,907
Machinery and equipment	4,553,926	7,428,528	11,982,454	4,748,378	7,785,117	12,533,495
Infrastructure	9,898,123	-	9,898,123	10,108,763	-	10,108,763
Total	\$ 87,602,521	\$ 61,899,079	\$ 149,501,600	\$ 71,380,338	\$ 57,090,682	\$ 128,471,020

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term Debt. At the end of the current fiscal year, the Town has total bonded debt outstanding of \$38,135,000, all of which is backed by the full faith and credit of the Town government.

**TOWN OF MONTVILLE, CONNECTICUT
CHANGES IN TOWN DEBT
JUNE 30, 2008 AND 2007**

	June 30, 2008			June 30, 2007		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 35,235,000	\$ 2,900,000	\$ 38,135,000	\$ 31,165,000	\$ 3,275,000	\$ 34,440,000

The Town's total bonded debt increased by \$3.7 million during the 2008 fiscal year due to additional bonding of \$6,300,000 in September 2007. This offset paydown of debt of the water and sewer departments. The Town received a Moody's Investors Service rating of Aaa on this general obligation issue.

Additional information on the Town's long-term debt can be found in Note 8.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2009 budget tax rates. One of the factors is the economy. Unemployment in the Town is at 4.2% for fiscal 2008 and 2007. This compares with the State's average unemployment rate of 6.4%.

The Town of Montville's 2008/2009 budget totals \$55,952,738, which represents a 2.78% increase in expenditures from the fiscal year 2008 adopted budget. The Town's mill rate remains at 21 mills.

Fringe benefit costs for medical, pension and workers' compensation are projected to increase between 2% and 2.5% in fiscal year 2009.

Requests for Information

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

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Basic Financial Statements

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Type Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,326,937	\$ 437,835	\$ 12,764,772
Receivables:			
Property taxes, net of allowance for collection losses	1,052,848	-	1,052,848
Assessments/use charges	941,636	1,394,582	2,336,218
Intergovernmental	1,773,584	-	1,773,584
Other	234,074	239,319	473,393
Advances from other funds	1,200,000	(1,200,000)	-
Internal balances	462,057	(462,057)	-
Other	60,948	13,964	74,912
Capital assets, not being depreciated	44,814,285	2,724,646	47,538,931
Capital assets, being depreciated, net of accumulated depreciation	42,788,236	59,174,433	101,962,669
Total assets	105,654,605	62,322,722	167,977,327
Liabilities			
Accounts payable and accruals	4,989,673	570,264	5,559,937
Accrued interest payable	678,994	-	678,994
Unearned revenue	9,288	-	9,288
Noncurrent liabilities:			
Due within one year	4,638,847	375,000	5,013,847
Due in more than one year	48,222,927	5,136,074	53,359,001
Total liabilities	58,539,729	6,081,338	64,621,067
Net Assets			
Invested in capital assets, net of related debt	51,927,736	56,388,005	108,315,741
Unrestricted (deficit)	(4,812,861)	(146,621)	(4,959,482)
Total net assets	\$ 47,114,875	\$ 56,241,384	\$ 103,356,259

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (7,411,207)	\$ 1,448,368	\$ -	\$ -	\$ (5,962,839)	\$ -	\$ (5,962,839)
Public safety	(3,474,307)	377,528	-	-	(3,096,779)	-	(3,096,779)
Public works	(4,414,887)	720,273	5,450	-	(3,689,164)	-	(3,689,164)
Health and welfare	(149,954)	98,934	-	-	(51,020)	-	(51,020)
Social services	(71,931)	-	-	-	(71,931)	-	(71,931)
Recreation	(303,020)	60,404	-	-	(242,616)	-	(242,616)
Education	(38,604,371)	1,071,504	17,051,692	6,056,741	(14,424,434)	-	(14,424,434)
Interest expense	(1,785,237)	-	-	-	(1,785,237)	-	(1,785,237)
Total governmental activities	(56,214,914)	3,777,011	17,057,142	6,056,741	(29,324,020)	-	(29,324,020)
Business-type activities:							
Sewer Department	(5,454,428)	4,889,936	-	-	-	(564,492)	(564,492)
Water Department	(585,248)	179,884	-	3,300,500	-	2,895,136	2,895,136
Total business-type activities	(6,039,676)	5,069,820	-	3,300,500	-	2,330,644	2,330,644
Total primary government	<u>\$ (62,254,590)</u>	<u>\$ 8,846,831</u>	<u>\$ 17,057,142</u>	<u>\$ 9,357,241</u>	<u>(29,324,020)</u>	<u>2,330,644</u>	<u>(26,993,376)</u>
General revenues:							
Property taxes					30,262,730	-	30,262,730
Grants and contributions not restricted to specific programs					6,309,413	-	6,309,413
Income from investments					1,151,066	34,460	1,185,526
Total general revenues					<u>37,723,209</u>	<u>34,460</u>	<u>37,757,669</u>
Extraordinary item:							
State teachers on-behalf revenue (Note 14)					10,155,000	-	10,155,000
State teachers on-behalf payments (Note 14)					<u>(10,155,000)</u>	<u>-</u>	<u>(10,155,000)</u>
Change in net assets					8,399,189	2,365,104	10,764,293
Net assets - beginning					<u>38,715,686</u>	<u>53,876,280</u>	<u>92,591,966</u>
Net assets - ending					<u>\$ 47,114,875</u>	<u>\$ 56,241,384</u>	<u>\$ 103,356,259</u>

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

TOWN OF MONTVILLE, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	Major Funds		Other	Total Governmental Funds
	General	Bonded Projects	Nonmajor Governmental Funds	
Assets				
Cash and cash equivalents	\$ 11,483,790	\$ -	\$ 660,107	\$ 12,143,897
Receivables (net of allowances for collection losses):				
Property taxes	1,052,848	-	-	1,052,848
Assessments/use charges	941,636	-	-	941,636
Intergovernmental	1,725,727	-	47,857	1,773,584
Other	233,848	-	226	234,074
Due from other funds	4,407,898	-	1,183,708	5,591,606
Advances to other funds	1,200,000	-	-	1,200,000
Inventory/Other	-	-	60,948	60,948
Total assets	\$ 21,045,747	\$ -	\$ 1,952,846	\$ 22,998,593
Liabilities				
Accounts payable and accruals	\$ 1,278,399	\$ 3,148,460	\$ 80,696	\$ 4,507,555
Due to other funds	3,784,324	3,945,841	-	7,730,165
Unearned revenue	-	-	9,288	9,288
Deferred revenue	3,621,436	-	-	3,621,436
Total liabilities	8,684,159	7,094,301	89,984	15,868,444
Fund balances				
Reserved for:				
Encumbrances	2,013,494	-	-	2,013,494
Inventories	-	-	60,948	60,948
Advance to sewer department	1,200,000	-	-	1,200,000
Unreserved, reported in:				
Designated for subsequent year budget	1,142,654	-	-	1,142,654
Designated for commitments	1,050,000	-	-	1,050,000
Designated for bridges	1,225,000	-	-	1,225,000
General fund	5,730,440	-	-	5,730,440
Special revenue funds	-	-	684,305	684,305
Capital projects funds	-	(7,094,301)	1,117,609	(5,976,692)
Total fund balances	12,361,588	(7,094,301)	1,862,862	7,130,149
Total liabilities and fund balances	\$ 21,045,747	\$ -	\$ 1,952,846	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the Town as a whole.	87,602,521
Deferred revenues are not available and therefore not recognized in the funds.	3,621,436
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(52,861,774)
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,301,537
Accrued interest payable not recorded in the funds.	(678,994)

Net assets of governmental activities \$ 47,114,875

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	Major Funds		Other	Total
	General	Bonded Projects	Nonmajor Governmental Funds	Governmental Funds
REVENUES				
Property taxes	\$ 31,312,764	\$ -	\$ -	\$ 31,312,764
Intergovernmental	19,383,983	5,788,078	1,535,255	26,707,316
State on-behalf payments	2,515,000	-	-	2,515,000
Charges for services	2,893,474	24,346	884,317	3,802,137
Contributions	-	-	257,037	257,037
Investment Income	1,127,454	-	18,146	1,145,600
Total revenues	57,232,675	5,812,424	2,694,755	65,739,854
EXPENDITURES				
Current:				
General government	10,011,073	-	345,571	10,356,644
Public safety	3,243,426	-	-	3,243,426
Public works	3,317,161	-	855,515	4,172,676
Health	149,954	-	-	149,954
Social services	56,542	-	-	56,542
Recreation	271,640	-	-	271,640
Miscellaneous	74,907	-	-	74,907
Education	34,190,134	-	2,006,926	36,197,060
State on-behalf payments	2,515,000	-	-	2,515,000
Capital outlay	929,139	16,559,341	-	17,488,480
Debt service:				
Principal retirements	2,367,025	-	-	2,367,025
Interest and other charges	1,611,123	-	-	1,611,123
Total expenditures	58,737,124	16,559,341	3,208,012	78,504,477
Revenues over (under) expenditures	(1,504,449)	(10,746,917)	(513,257)	(12,764,623)
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds	3,300,500	2,999,500	-	6,300,000
Transfers in	50,818	-	30,000	80,818
Transfers (out)	(30,000)	-	(50,818)	(80,818)
Total other financing sources (uses)	3,321,318	2,999,500	(20,818)	6,300,000
Change in fund balances	1,816,869	(7,747,417)	(534,075)	(6,464,623)
Extraordinary item (Note 14)				
State teachers on-behalf payments	(10,155,000)	-	-	(10,155,000)
State teachers on-behalf revenue	10,155,000	-	-	10,155,000
	-	-	-	-
Net change in fund balances	1,816,869	(7,747,417)	(534,075)	(6,464,623)
FUND BALANCES, beginning	10,544,719	653,116	2,396,937	13,594,772
FUND BALANCES (DEFICITS), ending	\$ 12,361,588	\$ (7,094,301)	\$ 1,862,862	\$ 7,130,149

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

TOWN OF MONTVILLE, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

Net change in fund balances – total governmental funds	\$ (6,464,623)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,222,183
Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,050,134)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,932,975)
Changes in some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	2,888,326
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>736,412</u>
Change in net assets of governmental activities	<u><u>\$ 8,399,189</u></u>

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN BUDGETARY
FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes, interest and lien fees	\$ 31,376,858	\$ 31,376,858	\$ 31,312,764	\$ (64,094)
Intergovernmental	18,945,206	18,945,206	19,383,983	438,777
Charges for services	2,981,300	2,981,300	2,893,474	(87,826)
Use of Town money	1,019,000	1,019,000	1,127,454	108,454
Total revenues	54,322,364	54,322,364	54,717,675	395,311
EXPENDITURES				
Current:				
General government	7,047,407	6,994,555	6,611,109	383,446
Public safety	3,347,162	3,361,354	3,109,888	251,466
Public works	3,689,371	3,755,471	3,501,548	253,923
Health	156,306	156,306	149,954	6,352
Social services	31,750	31,750	29,342	2,408
Recreation	272,563	277,223	259,808	17,415
Miscellaneous	78,042	78,042	74,951	3,091
Education	34,519,778	34,519,778	34,519,564	214
Capital outlay	1,040,570	1,040,570	1,040,570	-
Debt service	4,196,915	4,196,915	3,978,148	218,767
Total expenditures	54,379,864	54,411,964	53,274,882	1,137,082
Revenues over (under) expenditures	(57,500)	(89,600)	1,442,793	1,532,393
OTHER FINANCING SOURCES (USES)				
Transfers in	87,500	87,500	50,818	(36,682)
Transfers (out)	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	57,500	57,500	20,818	(36,682)
Net change	\$ -	\$ (32,100)	\$ 1,463,611	\$ 1,495,711

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS

June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental
	Major Fund Sewer Department	Major	Total	Activities
		Fund		Internal Service Fund
		Water Department		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 62,910	\$ 374,925	\$ 437,835	\$ 183,039
Prepays	13,964	-	13,964	-
Receivables:				
Usage	1,313,326	72,729	1,386,055	-
Connection fees	-	8,526	8,526	-
Other	63,704	175,615	239,319	-
Due from other funds	-	-	-	2,600,616
Total current assets	1,453,904	631,795	2,085,699	2,783,655
Noncurrent assets:				
Capital assets, net of accumulated depreciation	49,471,917	12,427,162	61,899,079	-
Total noncurrent assets	49,471,917	12,427,162	61,899,079	-
Total assets	50,925,821	13,058,957	63,984,778	2,783,655
LIABILITIES				
Current liabilities:				
Accounts payable	317,092	235,373	552,465	-
Accrued payroll	17,799	-	17,799	-
Claims payable	-	-	-	482,118
Due to other funds	284,467	177,590	462,057	-
Bonds, notes and loans payable	375,000	-	375,000	-
Total current liabilities	994,358	412,963	1,407,321	482,118
Noncurrent liabilities:				
Advances from other funds	1,200,000	-	1,200,000	-
Bonds, notes and loans payable	2,525,000	-	2,525,000	-
Other liabilities	-	2,611,074	2,611,074	-
Total noncurrent liabilities	3,725,000	2,611,074	6,336,074	-
Total liabilities	4,719,358	3,024,037	7,743,395	482,118
NET ASSETS				
Invested in capital assets, net of related debt	46,571,917	9,816,088	56,388,005	-
Unrestricted (deficit)	(365,454)	218,833	(146,621)	2,301,537
Total net assets	\$ 46,206,463	\$ 10,034,921	\$ 56,241,384	\$ 2,301,537

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental
	Major Fund Sewer Department	Major Fund Water Department	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services and other	\$ 4,889,936	\$ 179,884	\$ 5,069,820	\$ 6,795,010
Total operating revenues	<u>4,889,936</u>	<u>179,884</u>	<u>5,069,820</u>	<u>6,795,010</u>
OPERATING EXPENSES				
Personnel services	728,528	-	728,528	-
Supplies	710,845	275,254	986,099	-
Maintenance	764,226	27,846	792,072	-
Energy and transportation	1,095,710	12,110	1,107,820	-
Insurance and taxes	372,593	-	372,593	-
Claims incurred	-	-	-	5,415,622
Administration	292,878	93,879	386,757	648,443
Depreciation	1,314,962	176,159	1,491,121	-
Total operating expenses	<u>5,279,742</u>	<u>585,248</u>	<u>5,864,990</u>	<u>6,064,065</u>
Operating income (loss)	(389,806)	(405,364)	(795,170)	730,945
NONOPERATING REVENUES (EXPENSES)				
Investment income	14,281	20,179	34,460	5,467
Interest expense	(174,686)	-	(174,686)	-
Total nonoperating revenues (expenses)	<u>(160,405)</u>	<u>20,179</u>	<u>(140,226)</u>	<u>5,467</u>
Net income (loss) before capital contributions	(550,211)	(385,185)	(935,396)	736,412
Capital contributions	-	3,300,500	3,300,500	-
Change in net assets	(550,211)	2,915,315	2,365,104	736,412
NET ASSETS, beginning	<u>46,756,674</u>	<u>7,119,606</u>	<u>53,876,280</u>	<u>1,565,125</u>
NET ASSETS, ending	<u>\$ 46,206,463</u>	<u>\$ 10,034,921</u>	<u>\$ 56,241,384</u>	<u>\$ 2,301,537</u>

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental
				Activities
	Major Fund Sewer Department	Major Fund Water Department	Total Fund	Internal Service Fund
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 4,495,023	\$ 624,664	\$ 5,119,687	\$ 6,808,672
Payments to suppliers	(3,348,349)	(575,637)	(3,923,986)	-
Payments to employees	(710,782)	-	(710,782)	-
Cash paid for benefits and claims	-	-	-	(6,221,298)
Cash paid for administration	-	-	-	(648,443)
Net cash provided by (used in) operating activities	435,892	49,027	484,919	(61,069)
Cash Flows From Capital and Related Financing Activities				
Additions to capital assets	(346,775)	(3,309,951)	(3,656,726)	-
Capital contributions received	-	3,300,500	3,300,500	-
Principal payments	(375,000)	(31,718)	(406,718)	-
Interest payments	(174,686)	-	(174,686)	-
Net cash used in capital and related financing activities	(896,461)	(41,169)	(937,630)	-
Cash Flows Provided by Investing Activities				
Investing activities	14,281	20,179	34,460	5,467
Net cash provided by investing activities	14,281	20,179	34,460	5,467
Net increase (decrease) in cash and cash equivalents	(446,288)	28,037	(418,251)	(55,602)
Cash and Cash Equivalents				
Beginning	509,198	346,888	856,086	238,641
Ending	\$ 62,910	\$ 374,925	\$ 437,835	\$ 183,039
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (389,806)	\$ (405,364)	\$ (795,170)	\$ 730,945
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,314,962	176,159	1,491,121	-
(Increase) decrease in:				
Prepays	3,548	-	3,548	-
Receivables	(394,913)	444,781	49,868	13,662
Due from other funds	-	-	-	(791,391)
Increase (decrease) in:				
Accounts and other payables	(108,008)	147,726	39,718	(14,285)
Due to other funds	10,109	(314,275)	(304,166)	-
Net cash provided by (used in) operating activities	\$ 435,892	\$ 49,027	\$ 484,919	\$ (61,069)
Noncash Financing Activities				
Addition to capital assed by issuance of contracts payable	\$ -	\$ 2,642,792	\$ 2,642,792	\$ -

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

TOWN OF MONTVILLE, CONNECTICUT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 604,335
Total assets	<u><u>\$ 604,335</u></u>
LIABILITIES	
Amounts held as agent	\$ 604,335
Total liabilities	<u><u>\$ 604,335</u></u>

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

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Town of Montville, Connecticut (the "Town"), was incorporated in 1786. The Town covers 43.9 square miles located in the southeastern part of Connecticut. The Town operates under a Town Council/Mayor form of government and provides the following services authorized by its Charter: public safety, public works, health, social services, recreation, planning and zoning, education and general government.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statements have been considered and there are no agencies or entities which should be presented with the Town.

Government-Wide and Fund Financial Statements

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

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

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

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 Town 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 and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds.

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

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

The Town reports the following major proprietary funds:

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

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

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Additionally, the Town reports the following fund types:

The *Internal Service Funds* account for all general, auto, fire and workers' compensation insurance activity, including premiums and claims.

The *Agency Funds*, fiduciary funds, account for monies held as a custodian for outside student groups and agencies and do not involve measurement of results of operations.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are charges to customers for services and other Town funds for premiums. Operating expenses for the funds include the cost of operations and maintenance, administrative expenses, claim expense, and depreciation on capital expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Property Taxes

Property taxes are assessed as of October 1, and are levied for on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and January 1. Motor vehicle taxes are due in one installment on 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 filed by the last day of the fiscal year.

Delinquent real estate taxes are billed at least twice a year, with interest charged at a rate of 1.5 percent per month. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years, at which time they cease to be carried as receivables. However, they remain valid claims for up to 15 years after being levied.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

Accounts and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based on past collection history and on analysis of creditor's ability to pay.

Investments

Investments for the Town are primarily reported at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred net of interest earned on project specific debt during the construction phase of capital assets of business-type activities and enterprise fund is 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:

<u>Assets</u>	<u>Years</u>
Buildings	35-50
Building improvements	20
Distribution and collection systems	50-65
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

In the governmental fund financial statements, capital outlay (assets) is reported as an expenditure and no depreciation expense is reported.

Compensated Absences

Under the terms of its various union contracts, Town and Board of Education employees are granted vacation in varying amounts based on length of service. Town employees may carry over a limited number of sick days to subsequent years and, in the event of retirement, employees are reimbursed for accumulated 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.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Sick leave and vacation leave expenditures are recognized in the governmental fund financial statements in the current year to the extent they are paid or due (matured). If an employee is retiring, limited accumulated unused sick leave is not paid but added to the credited service used to calculate pension benefits. The liability for the remainder of the accrued vacation earned and not due is reported in the government-wide and proprietary fund financial statements.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are recorded as expenditures. 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.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

All other General Fund appropriations lapse at year-end.

Fund Equity and Net Assets

In the Government-Wide and Proprietary Fund Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Unrestricted Net Assets (Deficit) - This category represents the net assets of the Town, which are not restricted for any project or other purpose. A deficit will require future funding.

In the governmental fund financial statements, fund balances are classified in three separate categories. The categories, and their general meanings, are as follows:

Reserved fund balance - indicates that portion of fund equity which has been legally segregated for specific purposes or not available for appropriation.

Unreserved/Designated fund balance - indicates that portion of fund equity for which the Town has made tentative plans.

Unreserved/Undesignated fund balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods, or if a deficit for which future funding will be required.

Note 2. Reconciliation of Government Wide And Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds, and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 35,235,000
Compensated absences	2,882,683
Capital leases payable	439,785
Teacher early retirement	350,306
Litigation judgements	13,650,000
Landfill closure	<u>304,000</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 52,861,774</u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances - total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 details of this difference are as follows:

Capital outlay	\$ 17,666,187
Depreciation expense	(1,441,317)
Loss on disposal	<u>(2,687)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 16,222,183</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (6,300,000)
Principal repayments:	
General obligation debt	2,230,000
Capital leases	<u>137,025</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (3,932,975)</u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$	268,085
Teacher early retirement		75,356
Claims and judgements		2,700,000
Landfill closure		19,000
Accrued interest		<u>(174,115)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>2,888,326</u>

Note 3. Budgets and Budgetary Accounting

General Fund

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

- The head of each department, office and agency submits to the Finance Director detailed estimates of expenditures and any revenues other than tax revenues expected to be collected. By 100 days before the close of the fiscal year
- The Mayor submits a Capital Improvement Program for the ensuing fiscal year and the immediate four subsequent years to the Town Council for changes from the prior year's program. It is then submitted to the Planning and Zoning Commission for approval. The Council then adopts the Program. The Program details the project, cost estimates, methods of financing, time schedules, and the estimated annual cost of facility operation. By 75 days before the close of the fiscal year.
- The Mayor presents a budget message, estimates of revenues and expenditures, and justifications to the Town Council By 75 days before the close of the fiscal year.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

- The Town Council publishes the particulars of the budget and holds one or more public hearings. By 60 days before the close of the fiscal year.
- The Town Council may add, increase, delete or decrease any programs or amounts except for those prohibited by law. The budget is returned to the Mayor, who approves it or vetoes one or more line items (except for the Board of Education budget). A veto may be overridden by a two-thirds vote of the entire Council.
- The Town Council adopts the final budget. By 30 days before the close of the fiscal year.
- If the Town Council fails to adopt a budget within the prescribed 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 for the year ended June 30, 2008 amounted to \$32,100 from fund balance.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

A reconciliation of General Fund operations presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") to the amounts presented on the budgetary basis is as follows:

	Revenues and Transfers	Expenditures and Transfers
Balance, GAAP basis	\$ 57,283,493	\$ 58,767,124
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	(2,515,000)	(2,515,000)
Changes in reserves for encumbrances and liquidation of encumbrances	-	353,258
Mohegan Sun payment for water lines	-	(3,300,500)
Balance, budgetary basis	<u>\$ 54,768,493</u>	<u>\$ 53,304,882</u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds that are utilized to account for specific grant programs are established in accordance with the requirements of the State and other grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

Capital project funds

Legal authorization for expenditures of the capital project funds is provided by the related bond ordinances. Capital appropriations do not lapse until completion of the applicable projects.

Note 4. Cash, Cash Equivalents and Investments

Deposits: The Town does not have a policy for deposits. The Town also does not have a custodial credit risk policy. However, as a practice, the Town follows State statutes. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Investments: The Town does not have a custodial credit risk policy for investments. The Town does not have a policy for investments or related credit risk for debt securities, however, it is their practice to follow State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund.

Interest rate risk: The Town does not have a policy that limits 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.

Concentrations: The Town does not have a policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial Credit Risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government 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. As of June 30, 2008, \$6,572,807 of the Town's bank balance of \$6,990,426 was uninsured and uncollateralized.

Investments: This is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash and investments of the Town consist of the following at June 30, 2008:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 6,227,238
State of Connecticut Short-Term Investment Fund	6,639,495
MBIA - Class Account	502,373
Total cash and cash equivalents	13,369,106

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 12,764,771
Fiduciary Funds	
Cash and cash equivalents	<u>604,335</u>
Total cash and investments	<u><u>\$ 13,369,106</u></u>

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years) <u>Less than 1 Year</u>
Pooled Fixed Income	<u>\$ 7,141,868</u>	<u>\$ 7,141,868</u>

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

Average Rating	Pooled Fixed Income
AAA	\$ 6,639,495
AA	502,373
	<u><u>\$ 7,141,868</u></u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,087,958	\$ 452,110	\$ -	\$ 1,540,068
Construction in progress	26,714,876	16,559,341	-	43,274,217
Total capital assets, not being depreciated	<u>27,802,834</u>	<u>17,011,451</u>	<u>-</u>	<u>44,814,285</u>
Capital assets, being depreciated:				
Land improvements	952,055	-	-	952,055
Buildings and improvements	36,711,171	262,160	-	36,973,331
Machinery and equipment	9,893,066	392,576	25,535	10,260,107
Infrastructure	15,861,815	-	-	15,861,815
Total capital assets being depreciated	<u>63,418,107</u>	<u>654,736</u>	<u>25,535</u>	<u>64,047,308</u>
Less accumulated depreciation for:				
Land improvements	588,163	31,719	-	619,882
Buildings and improvements	8,354,700	614,617	-	8,969,317
Machinery and equipment	5,144,688	584,341	22,848	5,706,181
Infrastructure	5,753,052	210,640	-	5,963,692
Total accumulated depreciation	<u>19,840,603</u>	<u>1,441,317</u>	<u>22,848</u>	<u>21,259,072</u>
Total capital assets, being depreciated, net	<u>43,577,504</u>	<u>(786,581)</u>	<u>2,687</u>	<u>42,788,236</u>
Governmental activities capital assets, net	<u>\$ 71,380,338</u>	<u>\$ 16,224,870</u>	<u>\$ 2,687</u>	<u>\$ 87,602,521</u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 1,106,731	\$ -	\$ -	\$ 1,106,731
Construction in progress	1,617,915	-	-	1,617,915
Total capital assets, not being depreciated	<u>2,724,646</u>	<u>-</u>	<u>-</u>	<u>2,724,646</u>
Capital assets, being depreciated:				
Buildings and improvements	18,561,981	-	-	18,561,981
Distribution and collection system	43,685,703	6,193,962	-	49,879,665
Machinery and equipment	12,070,415	105,556	5,645	12,170,326
Total capital assets, being depreciated	<u>74,318,099</u>	<u>6,299,518</u>	<u>5,645</u>	<u>80,611,972</u>
Less accumulated depreciation for:				
Buildings and improvements	3,796,969	367,660	-	4,164,629
Distribution and collection system	11,869,796	661,316	-	12,531,112
Machinery and equipment	4,285,298	462,145	5,645	4,741,798
Total accumulated depreciation	<u>19,952,063</u>	<u>1,491,121</u>	<u>5,645</u>	<u>21,437,539</u>
Total capital assets being depreciated, net	<u>54,366,036</u>	<u>4,808,397</u>	<u>-</u>	<u>59,174,433</u>
Total business-type capital assets, net	<u>\$ 57,090,682</u>	<u>\$ 4,808,397</u>	<u>\$ -</u>	<u>\$ 61,899,079</u>

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

Governmental activities:	
General government	\$ 113,034
Public safety	243,123
Public works	331,542
Social services	25,379
Recreation	41,369
Education	686,870
Total depreciation expense - governmental activities	<u>\$ 1,441,317</u>
Business-type activities:	
Sewer	\$ 1,314,962
Water	176,159
Total depreciation expense - business-type activities	<u>\$ 1,491,121</u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 6. Interfund Receivables, Payables and Transfers

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2008 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 4,407,898	\$ 3,784,324
Bonded Projects	-	3,945,841
Sewer Department	-	284,467
Non-Major Governmental Funds	1,183,708	-
Water Department	-	177,590
Internal Service Fund	2,600,616	-
Grand Total	\$ 8,192,222	\$ 8,192,222

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

Interfund advances during the year ended June 30, 2008 were as follows:

	Advances From Other Funds	Advances To Other Funds
General Fund	\$ -	\$ 1,200,000
Sewer Department	1,200,000	-
Grand Total	\$ 1,200,000	\$ 1,200,000

The advances made from the general fund related to advances to cover operational expenses for the sewer department. None of the balance is scheduled to be collected in the subsequent year.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Interfund transfers during the year ended June 30, 2008 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 50,818	\$ 30,000
Non-Major Governmental Funds	30,000	50,818
Grand Total	\$ 80,818	\$ 80,818

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary amortizations.

Note 7. Unearned Revenue/Deferred Revenue

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

	Deferred Revenues	Unearned Revenues
Property taxes	\$ 1,895,709	\$ -
School construction grant receivable	1,725,727	-
Grant drawdowns prior to meeting all eligibility requirements	-	9,288
Total deferred/unearned revenue	\$ 3,621,436	\$ 9,288

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

Note 8. Long-Term Liabilities

A summary of changes in outstanding long-term obligations during the year ended June 30, 2008 is as follows:

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,980,000	\$ -	\$ 930,000	\$ 6,050,000	\$ 930,000
School bonds	22,710,000	2,999,500	1,040,000	24,669,500	1,719,975
Sewer bonds	1,435,000	-	220,000	1,215,000	220,000
Water bonds	40,000	3,300,500	40,000	3,300,500	165,025
	<u>31,165,000</u>	<u>6,300,000</u>	<u>2,230,000</u>	<u>35,235,000</u>	<u>3,035,000</u>
Other long-term liabilities:					
Compensated absences	3,150,768	-	268,085	2,882,683	693,000
Capital lease obligations	576,810	-	137,025	439,785	141,711
Teacher early retirement	425,662	209,471	284,827	350,306	50,136
Litigation judgements (Note 11)	16,350,000	-	2,700,000	13,650,000	700,000
Landfill closure	323,000	-	19,000	304,000	19,000
Total other long-term liabilities	<u>20,826,240</u>	<u>209,471</u>	<u>3,408,937</u>	<u>17,626,774</u>	<u>1,603,847</u>
Governmental activity long-term liabilities	<u>\$ 51,991,240</u>	<u>\$ 6,509,471</u>	<u>\$ 5,638,937</u>	<u>\$ 52,861,774</u>	<u>\$ 4,638,847</u>
Business-type activities:					
Bonds payable:					
Sewer bonds	\$ 3,275,000	\$ -	\$ 375,000	\$ 2,900,000	\$ 375,000
Other long-term liabilities:					
Contract payable	-	2,642,792	31,718	2,611,074	30,000
Business-type activity long-term liabilities	<u>\$ 3,275,000</u>	<u>\$ 2,642,792</u>	<u>\$ 406,718</u>	<u>\$ 5,511,074</u>	<u>\$ 405,000</u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

General Obligation Bonds - Governmental Activities

As of June 30, 2008, the outstanding general obligation bonds of the Town were as follows:

Purpose	Maturity Ranges	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 6/30/2008
GENERAL PURPOSE						
PUBLIC IMPROVEMENTS	\$210,000-\$385,000	03/15/88	03/15/15	6.3-7.0	\$ 7,310,000	\$ 1,530,000
PUBLIC IMPROVEMENTS	\$390,000-\$410,000	03/01/92	03/01/12	5.0-7.0	8,050,000	1,560,000
PUBLIC IMPROVEMENTS	\$140,000-\$145,000	03/01/94	12/01/13	4.8-5.4	2,845,000	580,000
PUBLIC IMPROVEMENTS	\$170,000-\$170,000	11/15/01	07/15/21	3.0-5.0	3,400,000	2,380,000
TOTAL GENERAL PURPOSE					\$ 21,605,000	\$ 6,050,000
SCHOOLS						
SCHOOL GEN. OBLIGATION	\$575,000-\$575,000	4/15/1991	06/15/11	5.7-6.7	\$ 11,500,000	\$ 1,725,000
SCHOOL GEN. OBLIGATION	\$35,250-\$37,250	11/15/01	07/15/21	3.0-5.0	707,000	493,500
SCHOOL GEN. OBLIGATION	\$14,750-\$19,750	11/15/01	07/15/21	3.0-5.0	390,000	271,500
SCHOOL GEN. OBLIGATION	\$410,000-\$560,000	09/15/04	09/15/24	2.5-4.5	10,000,000	9,180,000
SCHOOL GEN. OBLIGATION	\$500,000-\$500,000	09/15/06	09/15/26	5.0-5.0	10,000,000	10,000,000
SCHOOL GEN. OBLIGATION	\$157,500-\$163,800	09/15/07	09/15/27	3.1-4.5	2,999,500	2,999,500
TOTAL SCHOOLS					\$ 35,596,500	\$ 24,669,500
SEWER						
SEWER BOND	\$185,000-\$230,000	03/01/94	12/01/13	4.8-5.5	\$ 4,630,000	\$ 1,215,000
TOTAL SEWER					\$ 4,630,000	\$ 1,215,000
WATER						
WATER BOND	\$157,500-\$163,000	09/15/07	09/15/27	3.1-4.5	\$ 3,300,500	\$ 3,300,500
TOTAL WATER					\$ 3,300,500	\$ 3,300,500
GRAND TOTAL					\$ 65,132,000	\$ 35,235,000

General Obligation Bonds - Business-type activities

As of June 30, 2008, the outstanding obligation bonds of the Enterprise Funds were as follows:

Purpose	Maturity Ranges	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 6/30/2008
SEWER						
SEWER BOND	\$30,000-\$45,000	03/01/92	03/01/12	5.0-7.0	\$ 730,000	\$ 180,000
SEWER BOND	\$115,000-\$120,000	03/01/94	12/01/11	4.3-7.5	2,130,000	460,000
SEWER BOND	\$15,000-\$25,000	03/01/94	12/01/13	3.5-5.5	390,000	60,000
SEWER BOND	\$65,000-\$70,000	02/15/00	02/15/19	6.6-6.6	1,350,000	765,000
SEWER BOND	\$130,000-\$135,000	02/15/00	02/15/19	4.0-6.0	2,650,000	1,435,000
TOTAL BUSINESS-TYPE ACTIVITIES					\$ 7,250,000	\$ 2,900,000

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

The following is a summary as of June 30, 2008, of the future principal and interest requirements for the Town's bond indebtedness - governmental activities:

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 3,075,000	\$ 1,626,158	\$ 4,701,158
2010	3,070,000	1,350,715	4,420,715
2011	3,070,000	1,199,379	4,269,379
2012	2,590,000	1,045,469	3,635,469
2013	2,040,000	933,365	2,973,365
2014	2,030,000	845,947	2,875,947
2015	1,835,000	759,338	2,594,338
2016	1,625,000	679,494	2,304,494
2017	1,625,000	615,469	2,240,469
2018	1,625,000	549,494	2,174,494
2019	1,625,000	482,379	2,107,379
2020	1,625,000	415,995	2,040,995
2021	1,625,000	349,454	1,974,454
2022	1,610,000	2,830,080	4,440,080
2023	1,390,000	222,069	1,612,069
2024	1,390,000	165,793	1,555,793
2025	1,390,000	108,631	1,498,631
2026	840,000	63,000	903,000
2027	840,000	29,400	869,400
2028	315,000	-	315,000
Total	<u>\$ 35,235,000</u>	<u>\$ 14,271,629</u>	<u>\$ 49,506,629</u>

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

The following is a summary as of June 30, 2008, of the future principal and interest requirements for the Town's bond indebtedness - business-type activities:

Fiscal Year Ending	Principal	Interest	Total
2009	\$ 375,000	\$ 158,330	\$ 533,330
2010	375,000	136,532	511,532
2011	375,000	114,345	489,345
2012	375,000	92,027	467,027
2013	200,000	74,265	274,265
2014	200,000	63,925	263,925
2015	200,000	53,455	253,455
2016	200,000	42,855	242,855
2017	200,000	32,190	232,190
2018	200,000	21,525	221,525
2019	200,000	10,795	210,795
Total	<u>\$ 2,900,000</u>	<u>\$ 800,244</u>	<u>\$ 3,700,244</u>

School Bond Reimbursements

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2008 was approximately \$680,000. Additional payments for principal and interest aggregating approximately \$1,935,000 are expected to be received through the bonds maturity.

The Town's indebtedness (including authorized but unissued bonds and overlapping debt), net of principal reimbursements expected from the State, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 70,120,595	\$ 9,350,500	\$ 60,770,095
Schools	140,241,191	32,570,000	107,671,191
Sewers	116,867,659	1,215,000	115,652,659
Urban renewal	101,285,304	-	101,285,304
Pension deficit	93,494,127	-	93,494,127

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$218,152,963.

Capital Lease Obligations

The Town has one capital lease in which they acquired capital assets. The interest rate on this lease is 3.42%. The capital lease is for equipment for public works and public safety. The lease is payable in monthly installments through 2011. Original cost of capital assets under such lease agreements are as follows:

Machinery and equipment	\$	966,952
Accumulated depreciation		(217,227)
Net book value	\$	<u>749,725</u>

Future minimum lease payments under the capital lease is as follows:

2009	\$	156,754
2010		156,754
2011		156,754
Less amount representing interest		30,477
	\$	<u>439,785</u>

Bonds Authorized But Unissued

Total authorized but unissued debt at June 30, 2008 consists of the following:

Schools	\$	<u>7,900,500</u>
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Termination Benefits

The Board of Education provides early retirement incentive benefits to 12 former employees. Benefits are paid annually based on the retirement agreement for each employee. Benefits are payable through 2011. The amount paid during the year ended June 30, 2008 was \$284,827 from general fund appropriations.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Note 9. 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 has a balance of \$304,000 as of June 30, 2008, 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, 2008. However, post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Note 10. Risk Management

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

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

The Town has purchased a stop loss policy for total claims in any one year exceeding an aggregate of 125% of expected claims and for individual claims exceeding \$125,000 for combined hospital and major medical.

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

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

The health insurance fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported.

	Liability July 1,	Current Year Claims And Changes in Estimates	Claim Payments	Liability June 30,
2006-2007	\$ 489,237	\$ 4,872,179	\$ 4,865,013	\$ 496,403
2007-2008	496,403	5,415,622	5,428,907	483,118

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

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

Note 11. Contingent Liabilities

The Town has been named as defendant in several claims and legal actions. The Town's management estimates that the potential claims against the Town, other than the claim described below, which are not covered by insurance, would not have a material adverse effect on the financial condition of the Town.

Note 12. Retirement Plans

Connecticut Municipal Employees' Retirement System

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

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2008

A. Plan Description

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

B. Plan Provisions

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

C. Funding Policy

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

The required and actual contribution for the past three years were as follows:

2006	\$	331,358
2007		351,163
2008		378,033

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System 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.

Certain part-time and 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. 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.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$12,670,000 for the year ended June 30, 2008.

Note 13. Fund Deficit

The following fund had a fund deficit as of June 30, 2008:

Bonded Projects	<u>\$ 7,094,301</u>
-----------------	---------------------

The deficit is expected to be eliminated through transfers from the Town's general fund and from other revenue sources or future bonding.

Note 14. Extraordinary Item

The State of Connecticut issued approximately \$2.3 billion in taxable general obligation bonds to be used for deposit into the State of Connecticut Teachers' Retirement Fund. As contributions to the fund represent on-behalf payments to the Town, an amount of \$10,155,000 has been recorded as an extraordinary item in the Town's financial statements.

Note 15. Subsequent Event

On November 18, 2008, the Town issued \$12,000,000 in bond anticipation notes which will be utilized to settle a legal judgment against the Town of Montville Water Pollution Control Authority.

Note 16. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

TOWN OF MONTVILLE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2008

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- ◆ GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the Town beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.
- ◆ GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," issued June, 2007. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments." This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.
- ◆ GASB Statement No. 52, "Land and Other Real Estate Held as Investment by Endowments". This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.
- ◆ GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008.

Appendix B - Form of Legal Opinion of Bond Counsel

FORM OF OPINION OF BOND COUNSEL

November __, 2009

Town of Montville,
 Uncasville, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Montville, Connecticut (the "Town"), a Tax Regulatory Agreement of the Town, dated November 17, 2009 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$12,000,000 Town of Montville, Connecticut General Obligation Bonds, 2009 Series A, dated November 15, 2009 (the "Bonds"), maturing on October 15 in each of the years, in the principal amounts and bearing interest payable on April 15, 2010 and semiannually thereafter on October 15 and April 15 in each year until maturity or earlier redemption, at the rates per annum as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2012	\$1,000,000	%	2018	\$1,000,000	%
2013	1,000,000		2019	1,000,000	
2014	1,000,000		2020	1,000,000	
2015	1,000,000		2021	1,000,000	
2016	1,000,000		2022	1,000,000	
2017	1,000,000		2023	1,000,000	

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of March and September in each year, by check mailed to such registered owner at his address as shown on the registration books of the Town kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to affect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the Town the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

Appendix C - Form of Continuing Disclosure Agreement

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Town of Montville, Connecticut
\$12,000,000 General Obligation Bonds, 2009 Series A
dated November 15, 2009

November 17, 2009

WHEREAS, the Town of Montville, Connecticut (the "Town") has heretofore authorized the issuance of \$12,000,000 in aggregate principal amount of its General Obligation Bonds, 2009 Series A, dated November 15, 2009 (the "Bonds"), and to mature on the dates and in the amounts and set forth in the Town's Official Statement dated October 29, 2009 describing the Bonds (the "Official Statement"); and

WHEREAS, the Bonds have been sold by a competitive bid pursuant to a Notice of Sale, dated October 20, 2009 (the "Notice of Sale"); and

WHEREAS, in the Notice of Sale, the Town has heretofore acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Town has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the "Rule"), and the Town desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Town is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement (this "Agreement") is to be made, executed and delivered by the Town in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, the Town hereby represents, covenants and agrees as follows:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 2 and 3 of this Agreement.

"Fiscal Year End" shall mean the last day of the Town's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 57577 for purposes of the Rule, the MSRB or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“SEC” shall mean the Securities and Exchange Commission of the United States or any successor thereto.

Section 2. Annual Reports.

(a) The Town shall provide or cause to be provided to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, the following annual financial information and operating data regarding the Town:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End prepared in accordance with accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

(ii) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in (i) above:

(A) the amounts of the gross and net taxable grand list;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer’s taxable valuation thereon;

(C) the percentage and amount of the annual property tax levy collected and uncollected;

(D) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);

(F) the total direct debt, total net direct debt and total overall net debt of the Town per capita;

(G) the ratios of total direct debt and total overall net debt of the Town to the Town’s net taxable grand list;

(H) a statement of statutory debt limitations and debt margins; and

(I) the funding status of the Town’s pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Town’s audited financial statements. The information may be provided in whole or in part by cross-reference to other documents previously provided to the Repository, including official statements of the Town which will be available from the MSRB.

(c) Subject to the requirements of Section 8 hereof, the Town reserves the right to modify from time to time the type of financial information and operating data provided or the format of the presentation of such financial information and operating data, to the extent necessary or appropriate; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule. The Town also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Town shall provide the financial information and operating data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and operating data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Town shall provide such financial information and operating data no later than eight months after the close of such preceding Fiscal Year End. The Town agrees that if audited financial statements are not available eight months after the close of any Fiscal Year End, it shall submit unaudited financial statements by such time and will submit audited financial statements information when and if available.

Section 4. Event Notices. The Town agrees to provide, or cause to be provided, in a timely manner to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of the occurrence of any of the following events, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

Section 5. Notice of Failure. The Town agrees to provide, or cause to be provided, in a timely manner to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide the annual financial information described in Section 2(a) of this Agreement on or before the date described in Section 3 of this Agreement.

Section 6. Termination of Reporting Obligation. The Town's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Town may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) this Agreement, as so amended, would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the Repository in

electronic format. The Annual Report provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

Section 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or providing notice of the occurrence of any other event, in addition to that which is required by this Agreement. If the Town chooses to include any other information in any Annual Report or provide notice of the occurrence of any other event in addition to that which is specifically required by this Agreement, the Town shall have no obligation under this Agreement to update such information or include or provide such information or notice of the occurrence of such event in the future.

Section 10. Indemnification. The Town agrees to indemnify and save its officials, officers and employees harmless against any loss, expense or liability which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any loss, expense or liability due to any such person's malicious, wanton, or willful act. The obligations of the Town under this Section shall survive termination of this Agreement.

Section 11. Enforceability. The Town agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Town does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Town's obligations hereunder. No monetary damages shall arise or be payable hereunder, nor shall any failure to comply with this Agreement constitute a default of the Town with respect to the Bonds.

IN WITNESS WHEREOF, the Town has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF MONTVILLE, CONNECTICUT

By: _____
Name: Joseph W. Jaskiewicz
Title: Mayor

By: _____
Name: Theresa Fafard
Title: Director of Finance

By: _____
Name: Pamela Bonnano
Title: Treasurer

Appendix D - Notice of Sale

NOTICE OF SALE
\$12,000,000
TOWN OF MONTVILLE, CONNECTICUT
GENERAL OBLIGATION BONDS, 2009 SERIES A
BOOK-ENTRY-ONLY

Notice is given that electronic bids (as described herein) will be received by the **TOWN OF MONTVILLE**, Connecticut (the "Town"), for the purchase of all, but not less than all, of \$12,000,000 Town of Montville, Connecticut General Obligation Bonds, 2009 Series A (the "Bonds"). All bids must be submitted on Grant Street Group's MuniAuction website ("MuniAuction") located at website address www.grantstreet.com between 11:15 A.M. and 11:30 A.M. (E.D.T.), except for extension as described under "Electronic Bidding Procedures" in this official Notice of Sale, on Thursday,

OCTOBER 29, 2009

To bid, bidders must have: (1) completed the registration form on either the MuniAuction website or any municipal debt auction website powered by MuniAuction, and (2) requested and received admission to the Town's auction (as described under "Electronic Bidding Procedures - Registration and Admission to Bid" below). The use of MuniAuction shall be at the bidders' risk and expense, and the Town shall have no liability with respect to its use by the bidders. **No other method of submitting bids will be accepted.**

The Bonds

The Bonds will be dated November 15, 2009, mature \$1,000,000 on October 15 in each of the years 2012-2023, both inclusive, bear interest payable on April 15, 2010 and semiannually thereafter on October 15 and April 15 in each year until maturity, as further described in the Preliminary Official Statement for the Bonds dated October 20, 2009 (the "Preliminary Official Statement").

The Bonds maturing on or before October 15, 2016 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2017 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after October 15, 2016, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective prices (expressed as percentages of the principal amounts of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
October 15, 2016 and thereafter	100%

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public or as fully registered certificates in the form described below. If issued in book-entry form, the Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Town or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The winning bidder may request that the Bonds be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of DTC. The winning bidder seeking the

issuance of the Bonds in this manner shall bear any and all costs of any re-registration or transfer of Bonds from time to time. Any bidder seeking to have the Bonds issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of its bid. The Town reserves the right to decline any request to issue the Bonds in non-book-entry form if it should determine, in its sole discretion, that issuing the Bonds in this manner is not in its best interests.

Nature of Obligation

The Bonds will be general obligations of the Town for payment of which the Town's full faith and credit will be pledged. The Bonds are payable unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

The Bonds **SHALL** be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Electronic Bidding Procedures

Registration and Admission to Bid

To bid, bidders must first visit the MuniAuction website at "www.grantstreet.com" where, if they have never registered with either MuniAuction or any municipal debt auction website powered by MuniAuction, they can register and then request admission to bid in the auction for the Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with MuniAuction may call MuniAuction at (412) 391-5555 for their ID Number or password. The Town will determine whether any request for admission is granted.

Bidding Procedures

All bids must be submitted electronically on the MuniAuction website at www.grantstreet.com. No telephone, telefax, telegraph or personal delivery bids will be accepted. Bidders may change and submit bids as many times as they wish during the auction; provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") on the Bonds when compared to the immediately preceding bid of such bidder. The last bid submitted by a bidder before the end of the auction, as the same may be extended as described below, will be compared to all other final bids submitted by others to determine the winning bidder(s). During the bidding, no bidder will see any other bidder's bid but each bidder will be able to see its ranking (i.e., "Leader", "Cover", "3rd", etc.).

If any bid becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such new leading bid was received by MuniAuction. The auction end time will continue to be extended, indefinitely, until all leading bid(s) remain the leading bid(s) for at least two (2) minutes.

Bidders should verify the accuracy of their final bids and compare them to the winning bid reported on the MuniAuction Observation Page immediately after the auction.

Rules of MuniAuction

The "Rules of MuniAuction" can be viewed on the MuniAuction website at www.grantstreet.com and are incorporated by reference in this official Notice of Sale. Bidders must comply with the Rules of MuniAuction in addition to the requirements of this official Notice of Sale. In the event the Rules of MuniAuction conflict with this official Notice of Sale, this official Notice of Sale shall prevail.

An electronic bid shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Notice of Sale, and shall be binding upon the bidder. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of MuniAuction, the use of such facilities being the sole risk of the prospective bidder.

For purposes of the electronic bid process, the time as maintained on the MuniAuction website shall constitute the official time. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Bid Specifications/Basis of Award

Each bid must be for the entire \$12,000,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than all of the Bonds or for less than par and accrued interest will be considered. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to November 15, 2009, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to November 17, 2009, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (E.D.T.) on October 29, 2009. The purchase price must be paid in Federal Funds.

Closing Documents and Legal Opinion

The Bonds will be certified by U.S. Bank National Association, in Hartford, Connecticut. The legality of the Bonds will be passed upon by Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Town relating to the accuracy and completeness of information contained in the final Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations, (iii) under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering the legal opinion, Robinson & Cole LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Town for the benefit of the owners of the Bonds, and further, will assume compliance by the Town with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Settlement of the Bonds

It shall be the responsibility of the winning bidder to certify to the Town before delivery of the Bonds the prices at which a substantial amount of the Bonds of each maturity were initially offered and sold to the public.

The Bonds will be available for delivery on or about November 17, 2009. The deposit of the Bonds with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Town will not be responsible for any delay occasioned by the failure of the winning bidder to obtain such numbers and to supply them to the Town in a timely manner. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

The Preliminary Official Statement is in a form "deemed final" by the Town for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 100 copies of the final Official Statement prepared for the Bonds at the Town's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidder no later than seven business days after the bid opening at the office of the Town's financial advisor. If the Town's financial advisor is provided with the necessary information from the winning bidder by 12:00 p.m. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Related Information

For more information regarding the Bonds and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement dated October 20, 2009 may be accessed on the Grant Street Group's MuniAuction website at www.MuniAuction.com, or may be obtained from the undersigned, or from Christine R. Caruolo, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, Telephone. (860) 692-1711.

JOSEPH W. JASKIEWICZ
Mayor

THERESA FAFARD
Director of Finance

PAMELA BONNANO
Treasurer

October 20, 2009