

**TOWN OF MONTVILLE,
CONNECTICUT**

**Federal and State Single
Audit Reports**

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



Certified Public Accountants & Business Advisors

**TOWN OF MONTVILLE, CONNECTICUT
FEDERAL AND STATE SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Internal Control and Compliance Report

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Montville, Connecticut (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 30, 2011. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the Town in a separate letter dated December 30, 2011.

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

CCR LLP

Glastonbury, Connecticut
December 30, 2011

Federal Single Audit Section

*Federal Internal
Control and
Compliance
Report*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133, AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

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

COMPLIANCE

We have audited the Town of Montville, Connecticut's (the "Town") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2011. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of federal findings and questioned costs as item 2011-1.

INTERNAL CONTROL OVER COMPLIANCE

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

CCR LLP

Glastonbury, Connecticut
December 30, 2011

*Schedule of
Expenditures
of Federal
Awards*

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Grantor; Pass-Through Grantor; Program Title	Grant Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct:			
National School Lunch Program - USDA Commodities	-	10.555	\$ 51,316
Passed through the State of Connecticut Department of Education:			
National School Breakfast Program	12060-SDE64370-20508	10.553	73,235
National School Lunch Program	12060-SDE64370-20560	10.555	298,465
			<u>371,700</u>
Total Department of Agriculture			<u>423,016</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of Connecticut Department of Education:			
Title I - Grants to Local Educational Agencies	12060-SDE64370-20679	84.010	127,648
Title I - Grants to Local Educational Agencies, Recovery Act	12060-SDE64370-29010	84.389	3,255
			<u>130,903</u>
Special Education - Grants to States	12060-SDE64370-20977	84.027	666,374
Special Education - Grants to States, Recovery Act	12060-SDE64370-29011	84.391	316,122
Special Education - Preschool Grants	12060-SDE64370-20983	84.173	15,332
Special Education - Preschool Grants, Recovery Act	12060-SDE64370-29012	84.392	9,559
			<u>1,007,387</u>
Title II - Part A Improving Teacher Quality	12060-SDE64370-20858	84.367	115,690
Title II - Part D Educational Technology, Recovery Act	12060-SDE64370-29063	84.386	583
			<u>116,273</u>
Title III - Part A English Language Acquisition	12060-SDE64370-20868	84.365	27,166
Title IV - Safe and Drug Free Schools and Communities	12060-SDE64370-20873	84.186	2,451
Carl D. Perkins Vocational and Applied Technology	12060-SDE64370-20742	84.048	23,457
Education Jobs Funds	12060-SDE64370-22405	84.410	122,467
State Fiscal Stabilization Funds - Education State Grants, Recovery Act	12060-SDE64370-29054	84.394	1,790,364
Total Department of Education			<u>3,220,468</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of Connecticut Department of Transportation:			
Highway Planning and Construction, Recovery Act	12062-DOT57151-29016	20.205	872,286
Federal Highway Safety Grants	12062-DOT57343-20559	20.600	5,658
Alcohol Traffic Safety Grants	12062-DOT57343-22086	20.607	24,659
Total Department of Transportation			<u>902,603</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the State of Connecticut Department of Emergency and Homeland Security:			
Disaster Grants - Public Assistance	12060-EHS99690-21891	97.036	267,576
Emergency Management Performance Grant	12060-EHS99660-21881	97.042	9,022
Total Department of Homeland Security			<u>276,598</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through the State of Connecticut Office of Policy and Management:			
Justice Assistance Grant, Recovery Act	12060-OPM20350-29002	16.803	2,271
U.S. DEPARTMENT OF ENERGY			
Passed through the State of Connecticut Office of Policy and Management:			
Energy Efficiency and Conservation Block Grant, Recovery Act	12060-OPM20810-29009	81.128	35,250
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 4,860,206</u>

The accompanying notes are an integral part of this schedule.

TOWN OF MONTVILLE, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A - ACCOUNTING BASIS

BASIC FINANCIAL STATEMENTS

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

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

NOTE B - OTHER FEDERAL ASSISTANCE

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$51,316 is reflected in the expenditures column in the accompanying schedule of expenditures of federal awards under CFDA Number 10.555 and represents the market value of such commodities received during the period.

*Federal
Findings and
Questioned
Costs*

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS (*Continued*)
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

- No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2011-1: NONCOMPLIANCE – MAJOR FEDERAL AWARD PROGRAM

Grantor: Department of Agriculture
Program Name: National School Lunch Cluster
Federal CFDA Number: 10.555/10.553

Condition/Criteria

Management of the Town's Board of Education did not properly calculate the sample size for the required verification process, using total applications rather than total approved applications. In addition, an alternate method of sampling was incorrectly used in the verification process, resulting in selections from the total population rather than error-prone applications.

Cause

The Town's Board of Education noted information from the incorrect column of the verification worksheet was accidentally selected when calculating sample size. No cause was known for the use of the incorrect sampling method.

Effect

An incorrect number of applications were selected for the Town's verification process. In addition, applications were selected from total population instead of identified error-prone applications.

Auditors' Recommendation

We recommend that the Town's Board of Education take appropriate measures to ensure an accurate and complete verification of National School Lunch applications.

Management Response

Management has become familiar with the verification sampling process, both calculation and sampling method, and will ensure that future reports are accurately completed on a timely basis.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

- Finding IC2010-1 has been resolved.

State Single Audit Section

*State Internal
Control and
Compliance
Report*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE STATE SINGLE AUDIT ACT, AND ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

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

COMPLIANCE

We have audited the Town of Montville, Connecticut's (the "Town") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2011. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

INTERNAL CONTROL OVER COMPLIANCE

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for the purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

CCR LLP

Glastonbury, Connecticut
December 30, 2011

*Schedule of
Expenditures of
State Financial
Assistance*

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
NONEXEMPT PROGRAMS		
OFFICE OF STATE COMPTROLLER		
Direct:		
Payment in Lieu of Taxes on State-Owned Property	11000-OSC15910-17004	\$ 843,285
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Local Capital Improvement Program	12050-OPM20600-40254	435,350
Property Tax Relief for Manufacturing Machinery and Equipment	11000-OPM20600-17031	356,761
Property Tax Relief for Elderly and Disabled Homeowners	11000-OPM20600-17018	99,710
Property Tax Relief for Veterans	11000-OPM20600-17024	7,362
Property Tax Relief for the Totally Disabled	11000-OPM20600-17011	3,012
Municipal Video Competition Trust Account	12060-OPM20600-35362	1,158
Total Office of Policy and Management		<u>903,353</u>
DEPARTMENT OF EDUCATION		
Direct:		
Magnet Schools	11000-SDE64370-17057	72,800
Adult Education	11000-SDE64370-17030	33,036
Afterschool Program	11000-SDE64370-17084	25,000
Health Food Initiative	11000-SDE64370-16212	24,021
Youth Services Bureau	11000-SDE64370-17052	18,264
Aid to Private Schools - Health Services	11000-SDE64370-17034	12,194
Child Nutrition State Match	11000-SDE64370-16211	11,022
Youth Services Bureau - Enhancement	11000-SDE64370-16201	6,250
Bilingual Education	11000-SDE64370-17042	4,490
School Breakfast Match	11000-SDE64370-17046	3,311
Total Department of Education		<u>210,388</u>
CONNECTICUT STATE LIBRARY		
Direct:		
Preservation of Historic Documents	12060-CSL66094-35150	3,000
DEPARTMENT OF TRANSPORTATION		
Direct:		
Town Aid Road Grants - Municipal	12052-DOT57131-43455	44,138
Town Aid Road - STO	13033-DOT57131-43459	121,378
Bus Operations	12001-DOT57931-12175	93,908
Total Department of Transportation		<u>259,424</u>
DEPARTMENT OF EMERGENCY MANAGEMENT AND HOMELAND SECURITY		
Direct:		
Nuclear Safety Fund CT Yankee	12060-EHS99660-30464	2,441
Nuclear Safety Fund Dominion	12060-EHS99660-30465	28,076
Total Department of Emergency Management and Homeland Security		<u>30,518</u>

The accompanying notes are an integral part of this schedule.

TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core - CT Number</u>	<u>Expenditures</u>
NONEXEMPT PROGRAMS (Continued)		
DEPARTMENT OF ENVIRONMENTAL PROTECTION		
Direct:		
Boat Grant	12060-DEP44434-34907	\$ 12,651
Clean Water Fund	21014-DEP43720-40001	226,237
Community Conservation and Development	13019-DEP43750-41239	297,386
Nitrogen Credit Exchange Program	21016-OTT14230-42407	14,317
Total Department of Environmental Protection		<u>550,591</u>
DEPARTMENT OF SOCIAL SERVICES		
Direct:		
Small Town Economic Assistance Program	12052-DSS60783-40533	126,113
		<u>126,113</u>
Total State Assistance Before Exempt Programs		<u>2,926,672</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION		
Direct:		
Education Cost Sharing	11000-SDE64370-17041	10,765,031
Commitments for School Construction - Principal	13010-SDE64370-40901	3,057,466
Commitments for School Construction - Interest	13009-SDE64370-40896	43,575
Special Education: Excess Costs Student Based	11000-SDE64370-17047	369,860
Public School Transportation	11000-SDE64370-17027	292,387
Nonpublic School Transportation	11000-SDE64370-17049	14,160
Total Department of Education		<u>14,542,479</u>
OFFICE OF POLICY AND MANAGEMENT		
Direct:		
Mashantucket Pequot Grant	12009-OSC15910-17005	1,785,551
Total Exempt Programs		<u>16,328,030</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 19,254,702</u>

The accompanying notes are an integral part of this schedule.

**TOWN OF MONTVILLE, CONNECTICUT
NOTE TO SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

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

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

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

*Schedule of
State Findings
and Questioned
Costs*

**TOWN OF MONTVILLE, CONNECTICUT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.