



January 7, 2019

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF NEW MILFORD, CONNECTICUT  
\$7,360,000 General Obligation Bond Anticipation Notes**

**Dated: January 24, 2019      Date of Sale: Tuesday, January 15, 2019  
Due: July 25, 2019          Time of Sale: 11:30 A.M. (Eastern Time)**

**\*\*Phone Number to Place Bid: (203) 283-1110\*\***

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Tuesday, January 15, 2019. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Tuesday, January 15, 2019.**

*The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of The Town of New Milford, Connecticut as of June 30, 2017. These excerpts are included in this package. Copies of the complete reports for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



**BAN SALE TERM SHEET**  
**\$7,360,000**  
**General Obligation Bond Anticipation Notes**  
**Town of New Milford, Connecticut**

**Date of Sale:** Tuesday, January 15, 2019 at 11:30 A.M. (Eastern Time).

**Location of Sale:** New Milford Town Hall, 10 Main Street, New Milford, Connecticut 06776.  
Telephone: (203) 283-1110

**Issuer:** Town of New Milford, Connecticut (the "Town").

**Issue:** \$7,360,000 General Obligation Bond Anticipation Notes (the "Notes").

**Dated Date:** January 24, 2019

**Principal and Interest Due:** At maturity on July 25, 2019.

**Purpose:** The Notes are being issued to finance various improvements to roads, parks and bridges.

**Denominations:** \$100,000 or whole multiples thereof.

**Redemption:** The Notes are not subject to redemption prior to maturity.

**Security:** The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The Town has an outstanding bond ratings of "Aa1" from Moody's Investors Service and "AA+" from S&P Global Ratings.

**Basis of Award:** Lowest Net Interest Cost (NIC), as of dated date.

**Form of Legal Opinion and Tax Status:** See "Opinion of Bond Counsel and Tax Status" in the Notice of Telephone Sale.

**Bank Qualification:** The Notes 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 Notes.

**Continuing Disclosure** The Notes are being offered subject to the exemption of certain requirements under Rule 15c2-12, as amended, of the Securities and Exchange Commission. An Official Statement has not been prepared by or on behalf of the Town for this sale, nor does the Town intend to enter into a continuing disclosure agreement with respect to the Notes.

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S. Bank National Association of Hartford, Connecticut, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, unless the winning bidder is so designated. See "Option for No Book Entry" in the Notice of Sale.

**Municipal Advisor:** Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Barry J. Bernabe, Managing Director, email: bbernabe@muniadvisors.com, tel.: (203) 283-1110.

**Legal Opinion:** Day Pitney LLP of Hartford, Connecticut will act as Bond Counsel.

**Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about January 24, 2019. Delivery of the Notes will be made against payment in immediately available Federal Funds.

**Option for No Book Entry:** A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. See "Option for No Book Entry" in the Notice of Sale.

**Issuer Official:** Questions concerning the Town should be directed to Mr. Gregory Osipow, Director of Finance, Town Hall, 10 Main Street, New Milford, Connecticut 06776, Telephone: (860) 355-6066.

**NOTICE OF TELEPHONE SALE**  
**\$7,360,000**  
**Town of New Milford, Connecticut**  
**Bond Anticipation Notes**  
**(BOOK-ENTRY)**

TELEPHONE PROPOSALS will be received by the Town of New Milford, Connecticut until **11:30 A.M. Eastern Time on TUESDAY,**

**JANUARY 15, 2019**

for the purchase of \$7,360,000 Bond Anticipation Notes of the Town of New Milford, dated January 24, 2019, maturing on July 25, 2019 (the "Notes").

The Town will designate the Notes as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

**DTC Book-Entry.** The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or any integral multiple thereof, plus any odd amount, 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 purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; 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 or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

**Option For No Book Entry.** A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form,

or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

**Proposals.** Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal, and may, at the option of the bidder, include a premium.

**Telephone Proposals Bidding Procedure.** Telephone bids for the purchase of the Notes will be received on behalf of the Town by a representative of Phoenix Advisors, LLC, the Town's municipal advisor (the "Municipal Advisor"), at (203) 283-1110 only until 11:30 A.M. on Tuesday, January 15, 2019.

**Basis of Award.** As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

**Certifying and Paying Agent.** Unless the successful bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book Entry" above, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut, which will also act as Registrar and Paying Agent.

**Delivery.** At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

**Establishment of Issue Price.** The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the

reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

By submitting a bid for the Notes, a bidder, other than a bidder purchasing the Notes for its own account and not with a view to distribution or resale to the Public, represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "Competitive Sale Requirements") because:

1. the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
2. all bidders shall have an equal opportunity to bid;
3. the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Notes (the "10% Test") is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town will not require bidders to comply with the "Hold-The-Offering-Price Rule", as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the Town the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted

to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. "Public" means any person other than an Underwriter or a Related Party,
2. "Underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
3. a purchaser of any of the Notes is a "Related Party" to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
4. "Sale Date" means the date that the Notes are awarded by the Town to the winning bidder.

**Bond Counsel Opinion.** The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; and the Notes are "qualified tax-exempt obligations"; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes 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.

**Municipal Advisor.** The Town of New Milford has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460, to serve as its municipal advisor (the "Municipal Advisor") in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

**No Continuing Disclosure or Official Statement.** Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

**CUSIP Numbers.** The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Notes. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Global Services 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.

**Delivery Date and Payment.** The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on January 24, 2019.

**More Information.** For more information regarding this issue and the Town reference is made to the Town's financial statements. Copies of the Town's financial statements may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from Mr. Gregory Osipow, Director of Finance, Town of New Milford, Town Hall, 10 Main Street, New Milford, Connecticut 06776 (telephone: (860) 355-6060).

PETE BASS,  
*Mayor*

GREGORY OSIPOW,  
*Director of Finance*

January 7, 2019

**APPENDIX TO NOTICE OF SALE  
FORM OF ISSUE PRICE CERTIFICATE**

*Competitive Sale Requirements Satisfied*

**TOWN OF NEW MILFORD, CONNECTICUT  
\$7,360,000 BOND ANTICIPATION NOTES, DATED JANUARY 24, 2019**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes").

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by Underwriter Short Name are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by Underwriter Short Name in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Notes.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Notes.

**2. Defined Terms.**

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is January 15, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means the Town of New Milford, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the



Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

*Name of the Underwriter*

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_/\_\_/2019

**Attachments:**

**SCHEDULE A  
EXPECTED OFFERING PRICES**

**SCHEDULE B  
COPY OF UNDERWRITER'S BID**

*[Remainder of page intentionally left blank]*

*Competitive Sale Requirements Not Satisfied - 10% Test Applied*

**TOWN OF NEW MILFORD, CONNECTICUT  
\$7,360,000 BOND ANTICIPATION NOTES, DATED JANUARY 24, 2019**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of *Name of the Underwriter* ("*Underwriter Short Name*"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. **Sale of the Notes.** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. **Defined Terms.**

(a) "*Issuer*" means the Town of New Milford, Connecticut.

(b) "*Maturity*" means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public*" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "*Underwriter*" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents *Underwriter Short Name*'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

*Name of the Underwriter*

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_/\_\_/2019

**Attachment:**

**SCHEDULE A  
SALE PRICES**

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**TOWN OF NEW MILFORD, CONNECTICUT**  
**\$7,360,000 BOND ANTICIPATION NOTES**  
**DATED JANUARY 24, 2019; MATURING JULY 25, 2019**  
**APPENDIX - OPINION OF BOND COUNSEL AND TAX STATUS**

*The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in any information distributed in connection with the note issue (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

**BOND COUNSEL OPINION**

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of New Milford  
New Milford, Connecticut

We have represented the Town of New Milford, Connecticut as Bond Counsel in connection with the issuance by the Town of \$7,360,000 Bond Anticipation Notes, dated as of January 24, 2019.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of New Milford is authorized to issue the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Notes are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; and (3) the Notes are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes 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.

Very truly yours,

Day Pitney LLP

#### **FEDERAL INCOME TAX.**

***Interest Excluded From Gross Income.*** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for federal income tax purposes.

***Alternative Minimum Tax.*** The Code imposes an alternative minimum tax on individuals. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not "private activity bonds" so that interest on the Notes will not be treated as a preference item for individuals.

***Financial Institutions.*** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes will be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

***Additional Federal Income Tax Matters.*** Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity ("qualified stated interest"), or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity ("original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to short-term debt

obligations, taxpayers holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of the Notes and the treatment elected.

In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

#### **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Notes 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.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a note who bought the note at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such notes.

#### **GENERAL.**

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Notes will not have an effect on the federal tax status or the market price of the Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Notes, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof

from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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# **TOWN OF NEW MILFORD, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of New Milford, Connecticut  
Year Ended June 30, 2017

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Board of Finance  
Town of New Milford, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Milford, Connecticut (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Milford, Connecticut, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and the schedules on the Town's pension and other post-employment benefit plans on pages 67 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

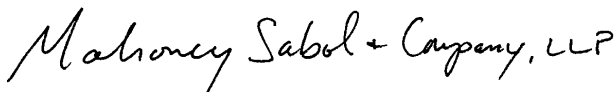
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 73 through 98 and the other supplementary information on pages 100 through 104 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Glastonbury, Connecticut  
January 31, 2018

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited

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The management of the Town of New Milford, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$172,213,057 (net position). Of this amount, \$18,548,918 represents the Town's unrestricted net position.
- The Town's total net position increased by \$544,714 during the current fiscal year, which consisted of a current year increase of \$2,563,010 relating to the Town's governmental activities and a decrease of \$2,018,296 relating to the Town's business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$37,242,069, a current year increase of \$13,284,493 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$17,933,848 or 17.0% of total General Fund expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 2.0 months of General Fund operating expenditures.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

The statement of net position presents information on all of the Town's assets, deferred outflows and inflows of resources, and liabilities, with net position as the residual of these other elements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

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**Overview of the Financial Statements (Continued)**

**Government-wide Financial Statements (Continued)**

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

The basic governmental fund financial statements can be found on pages 19 through 24 of this report.

**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

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**Overview of the Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

***Proprietary Funds***

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the operations of the Town's Water Pollution Control Authority. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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

***Fiduciary Funds***

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

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

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 66 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules which can be found on pages 67 through 72 and 73 through 99 of this report, respectively. Other supplementary information can be found on pages 100 through 104 of this report.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)**

**Government-wide Financial Analysis**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. The Town's total net position (governmental and business-type activities combined) totaled \$172,213,057 and \$171,668,343 as of June 30, 2017 and 2016 and are summarized as follows:

**Net Position**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 67,107,628	\$ 3,962,742	\$ 71,070,370
Capital assets	133,056,933	39,657,908	172,714,841
Total assets	<u>200,164,561</u>	<u>43,620,650</u>	<u>243,785,211</u>
Deferred outflows of resources	<u>5,115,453</u>	<u>127,677</u>	<u>5,243,130</u>
Other liabilities	7,367,017	308,786	7,675,803
Long-term liabilities	42,439,286	22,820,306	65,259,592
Total liabilities	<u>49,806,303</u>	<u>23,129,092</u>	<u>72,935,395</u>
Deferred inflows of resources	<u>3,784,214</u>	<u>95,675</u>	<u>3,879,889</u>
Net position:			
Net investment in capital assets	109,925,346	17,199,052	127,124,398
Restricted	26,539,741	-	26,539,741
Unrestricted	15,224,410	3,324,508	18,548,918
Total net position	<u>\$ 151,689,497</u>	<u>\$ 20,523,560</u>	<u>\$ 172,213,057</u>

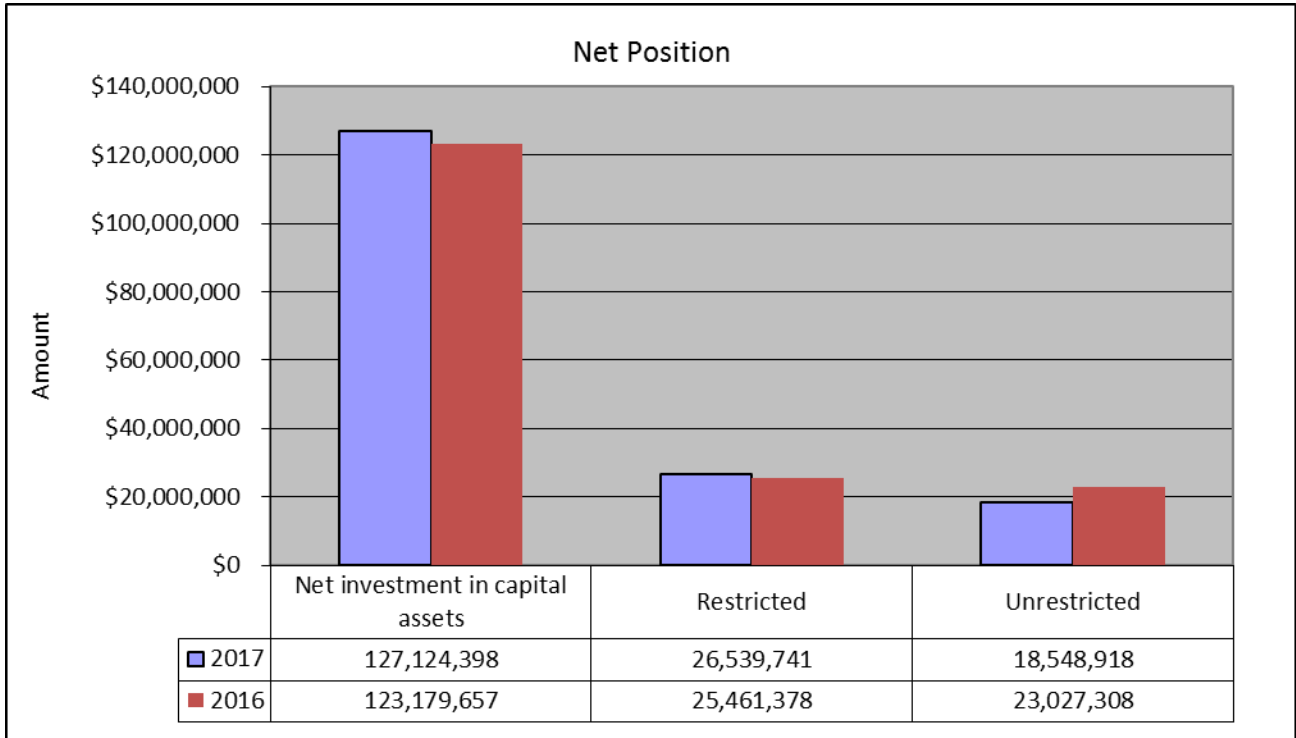
**Net Position**  
**June 30, 2016**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 71,505,885	\$ 4,539,111	\$ 76,044,996
Capital assets	132,674,316	40,515,502	173,189,818
Total assets	<u>204,180,201</u>	<u>45,054,613</u>	<u>249,234,814</u>
Deferred outflows of resources	<u>6,765,487</u>	<u>276,558</u>	<u>7,042,045</u>
Other liabilities	21,906,938	321,969	22,228,907
Long-term liabilities	38,189,933	22,395,582	60,585,515
Total liabilities	<u>60,096,871</u>	<u>22,717,551</u>	<u>82,814,422</u>
Deferred inflows of resources	<u>1,722,330</u>	<u>71,764</u>	<u>1,794,094</u>
Net position:			
Net investment in capital assets	104,318,070	18,861,587	123,179,657
Restricted	25,461,378	-	25,461,378
Unrestricted	19,347,039	3,680,269	23,027,308
Total net position	<u>\$ 149,126,487</u>	<u>\$ 22,541,856</u>	<u>\$ 171,668,343</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)**

**Government-wide Financial Analysis (Continued)**

**Net Position (Continued)**



As of June 30, 2017, 73.8% of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

15.4% of the Town's net position is subject to restrictions on how it may be used and are, therefore, presented as restricted net position. Of this amount, \$25,329,716 represents the portion of the Town's net position relating to a long-term settlement that has been restricted by enabling legislation for the acquisition of land and building for public recreation, public education, or public library facilities.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net position increased during the current year by \$544,714 in comparison with the prior year.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)**

**Government-wide Financial Analysis (Continued)**

**Changes in Net Position**

Changes in net position for the years ended June 30, 2017 and 2016 are as follows.

**Changes in Net Position  
For The Year Ended June 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 7,059,305	\$ 2,711,589	\$ 9,770,894
Operating grants and contributions	23,156,376	-	23,156,376
Capital grants and contributions	2,625,314	-	2,625,314
General revenues:			
Property taxes, levied for general purposes	77,365,935	-	77,365,935
Grants and contributions not restricted to specific programs	914,722	-	914,722
Investment earnings	445,918	107,095	553,013
Total revenues	<u>111,567,570</u>	<u>2,818,684</u>	<u>114,386,254</u>
<b>Expenses</b>			
General government	11,493,089	-	11,493,089
Public safety	7,955,838	-	7,955,838
Public works	9,924,338	-	9,924,338
Health and welfare	2,680,045	-	2,680,045
Library	1,094,583	-	1,094,583
Culture and recreation	1,402,312	-	1,402,312
Education	75,319,609	-	75,319,609
Interest expense	742,929	476,932	1,219,861
Sewer	-	2,751,865	2,751,865
Total expenses	<u>110,612,743</u>	<u>3,228,797</u>	<u>113,841,540</u>
Change in net position before transfers	954,827	(410,113)	544,714
Transfers	1,608,183	(1,608,183)	-
Change in net position	<u>\$ 2,563,010</u>	<u>\$ (2,018,296)</u>	<u>\$ 544,714</u>



**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

**Government-wide Financial Analysis (Continued)**

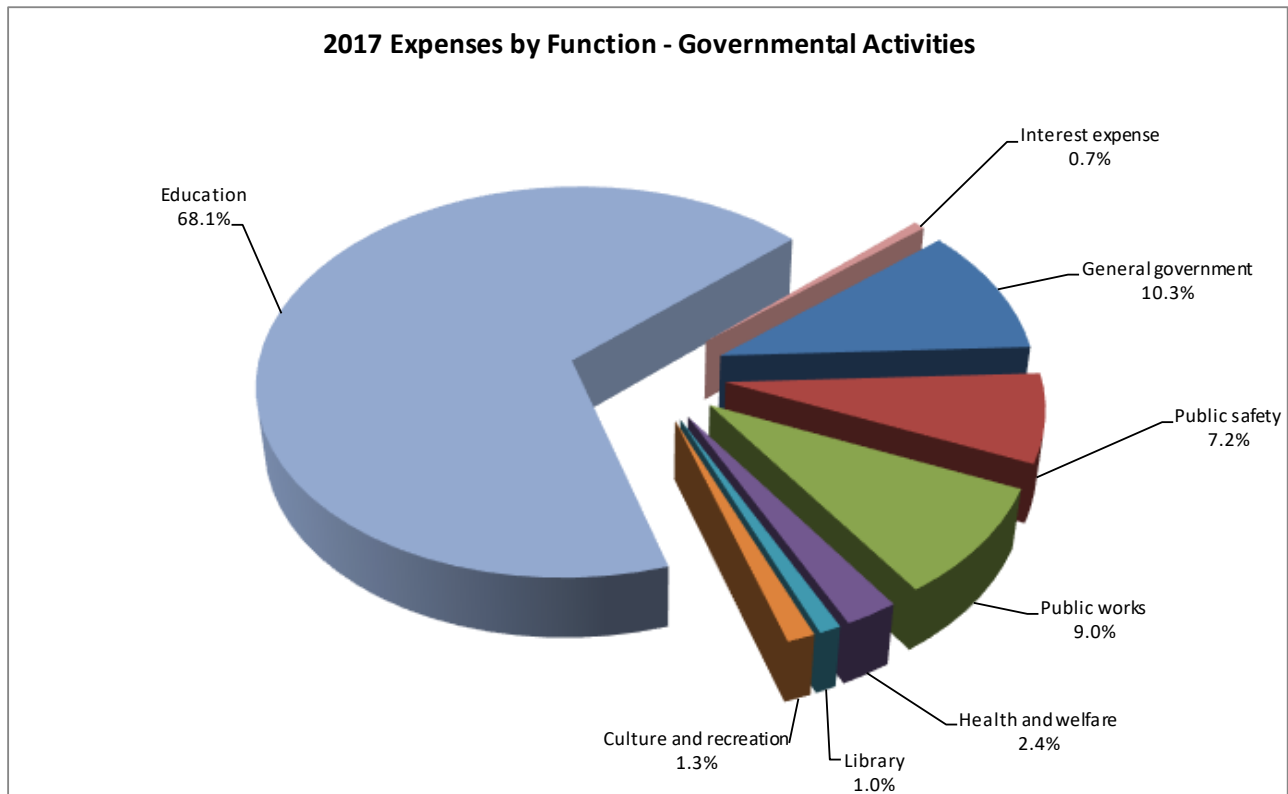
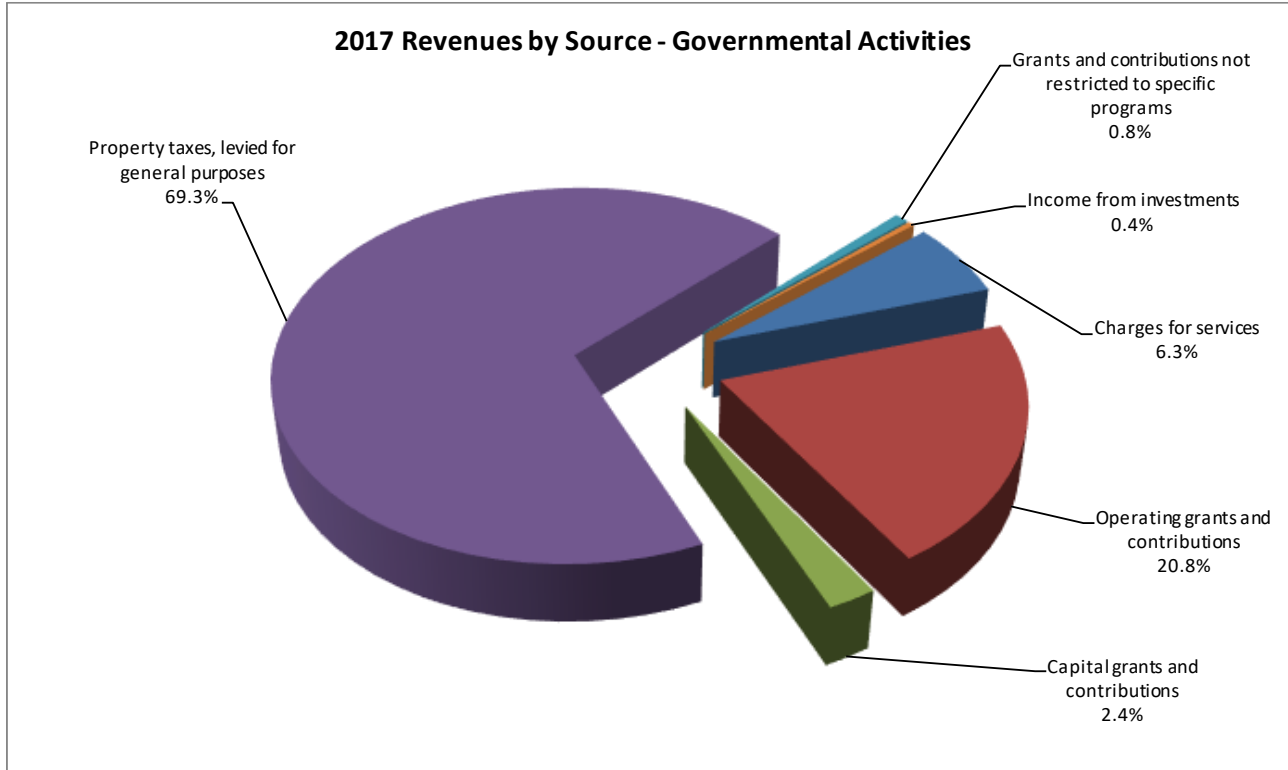
**Change in Net Position (Continued)**

	Governmental Activities	Business-type Activities	Total
<b>Changes in Net Position For The Year Ended June 30, 2016</b>			
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 7,354,194	\$ 2,655,421	\$ 10,009,615
Operating grants and contributions	22,688,544	-	22,688,544
Capital grants and contributions	3,806,351	-	3,806,351
General revenues:			
Property taxes, levied for general purposes	78,057,872	-	78,057,872
Grants and contributions not restricted to specific programs	480,073	-	480,073
Investment earnings	111,744	68,294	180,038
Total revenues	<u>112,498,778</u>	<u>2,723,715</u>	<u>115,222,493</u>
<b>Expenses</b>			
General government	11,786,096	-	11,786,096
Public safety	7,978,839	-	7,978,839
Public works	8,655,261	-	8,655,261
Health and welfare	2,741,776	-	2,741,776
Library	1,012,947	-	1,012,947
Culture and recreation	1,531,341	-	1,531,341
Education	77,782,707	-	77,782,707
Interest expense	602,680	502,375	1,105,055
Sewer	-	2,896,353	2,896,353
Total expenses	<u>112,091,647</u>	<u>3,398,728</u>	<u>115,490,375</u>
Change in net position before transfers	407,131	(675,013)	(267,882)
Transfers	<u>(3,330,600)</u>	<u>3,330,600</u>	<u>-</u>
Change in net position	<u>\$ (2,923,469)</u>	<u>\$ 2,655,587</u>	<u>\$ (267,882)</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)**

**Government-wide Financial Analysis (Continued)**

**Change in Net Position (Continued)**



**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

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**Government-wide Financial Analysis (Continued)**

**Change in Net Position (Continued)**

***Governmental Activities***

Governmental activities increased the Town's net position by a current year change of \$2,563,010. The change in net position for the governmental activities before internal transfers was an increase of \$954,827, which compared to an increase of \$407,131 in the prior year. Transfers out in the current year consisted of a transfer of \$2,100,000 in general obligation bonds used to finance sewer infrastructure improvements, net of a transfer of \$491,817 transferred by the Town to fund a portion of the Water Pollution Control Authority's current year debt service requirements. The Town transferred the assets associated with the bond issuance in the prior year upon substantial completion of the project. Other significant changes consisted of an increase in public works expense attributed to continued costs incurred in connection with the demolition and remediation of the Century Brass mill, offset by a budgeted decrease in Education expenses.

***Business-type Activities***

Business-type activities decreased the Town's net position by a current year change of \$2,018,296. The change in net position for the business-type activities before internal transfers was a decrease of \$410,113, which compared to a decrease of \$675,013 in the prior year.

**Financial Analysis of the Town's Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$37,242,069.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$17,933,848. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17.0% of total General Fund expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 2.0 months of General Fund operating expenditures.

The fund balance of the Town's General Fund increased by \$1,342,075 during the current fiscal year, which was primarily due to favorable revenue and expenditure variances within the General Fund budget.

**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

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**Financial Analysis of the Town's Funds (Continued)**

**Waste Management Fund**

The fund balance of the Waste Management Fund increased by \$74,151 during the current fiscal year. This increase was primarily due to proceeds received related to a long-term settlement receivable offset by a transfer to the General Fund to reduce the amount of taxes levied and by current year capital outlays.

**Capital Projects Fund**

The fund balance of the Capital Projects Fund increased by \$4,332,312 during the current fiscal year. The increase was primarily attributable to the issuance of \$6,100,000 in general obligation bonds offset by current year expenditures related to ongoing capital projects.

**General Fund Budgetary Highlights**

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,826,189. Expenditures were \$1,868,015 less than budgeted. Total budgetary revenues were \$567,362 less than expected, primarily due to a shortfall in intergovernmental revenues. During the year ended June 30, 2017, the Town Council approved additional appropriations of \$300,000 from fund balance.

**Capital Asset and Debt Administration**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2017 totaled \$172,714,841 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, land improvements, and machinery and equipment. The total decrease in the Town's investment in capital assets for the current fiscal year was \$474,977 or 0.3%. This decrease was primarily comprised of depreciation and amortization on capital assets of approximately \$7.6 million, offset by current year capital asset additions of approximately \$7.1 million. Significant capital events during the current fiscal year included the following:

- Outlays for various road and bridge construction projects of approximately \$1.745 million
- Outlays pertaining to Lynn Deming Park project of approximately \$877 thousand
- Outlays pertaining to the synthetic turf field project of approximately \$322 thousand
- Outlays pertaining to the Schaghticoke Middle School roof project of approximately \$1.436 million
- Outlays of leased equipment and vehicles of approximately \$257 thousand
- Outlays for the acquisition of equipment by the Board of Education of approximately \$501 thousand

**TOWN OF NEW MILFORD, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)**

**Capital Asset and Debt Administration (Continued)**

**Capital Assets (Continued)**

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

**Capital Assets, Net**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
Land	\$ 16,906,235	\$ 5,000	\$ 16,911,235
Construction in progress	5,343,138	279,333	5,622,471
Buildings and improvements	61,332,072	26,426,463	87,758,535
Infrastructure	38,864,201	7,416,691	46,280,892
Land improvements	523,232	-	523,232
Machinery and equipment	10,088,055	5,530,421	15,618,476
Totals	<u>\$ 133,056,933</u>	<u>\$ 39,657,908</u>	<u>\$ 172,714,841</u>

**Capital Assets, Net**  
**June 30, 2016**

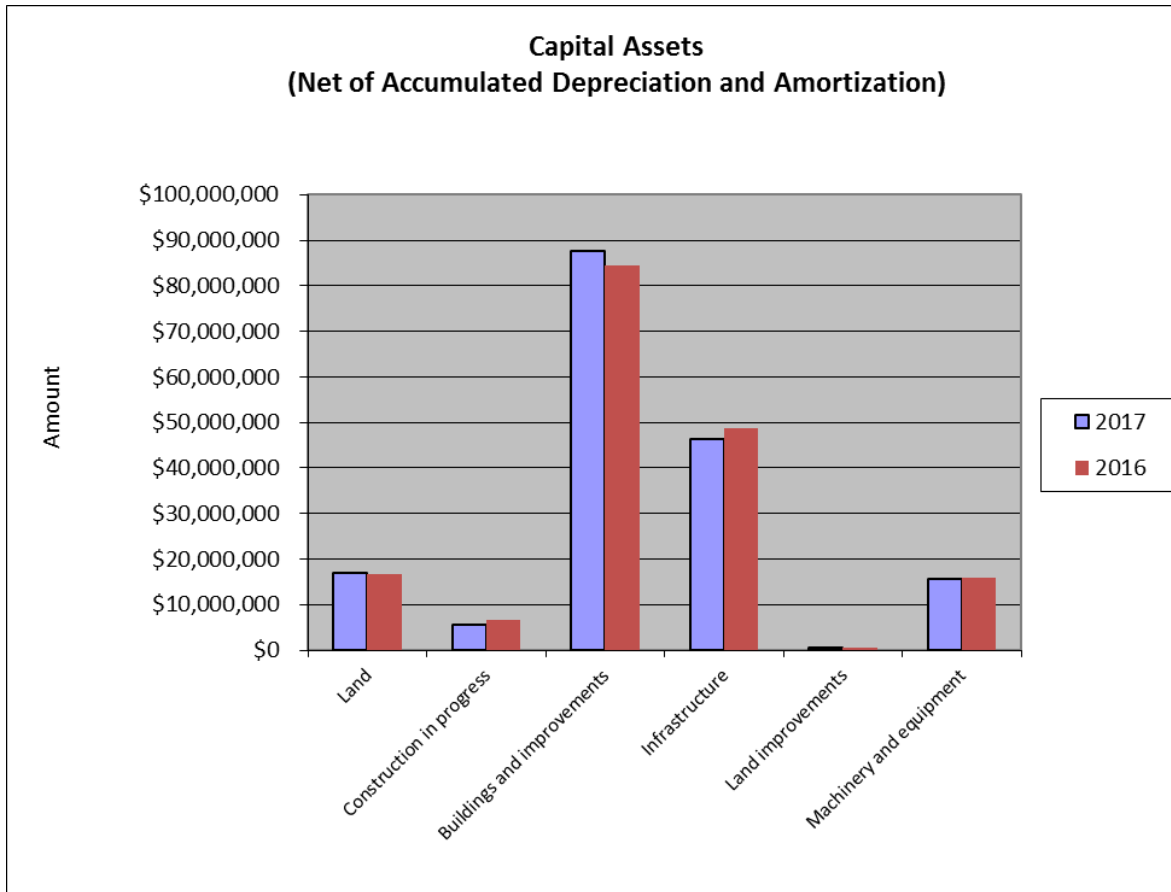
	Governmental Activities	Business-type Activities	Total
Land	\$ 16,778,689	\$ 5,000	\$ 16,783,689
Construction in progress	6,182,727	520,467	6,703,194
Buildings and improvements	57,420,032	27,030,103	84,450,135
Infrastructure	41,173,745	7,637,927	48,811,672
Land improvements	590,404	-	590,404
Machinery and equipment	10,528,719	5,322,005	15,850,724
Totals	<u>\$ 132,674,316</u>	<u>\$ 40,515,502</u>	<u>\$ 173,189,818</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)

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**Capital Asset and Debt Administration (Continued)**

**Capital Assets (Continued)**



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

**Debt Administration**

At the end of the current fiscal year, the Town had total long-term and short-term bonds and notes payable of \$43,513,356. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$6,003,387 or 12.1% during the current fiscal year.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$539,607,635, which is in excess of the Town's outstanding general obligation debt.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited (Continued)**

**Capital Asset and Debt Administration (Continued)**

**Debt Administration (Continued)**

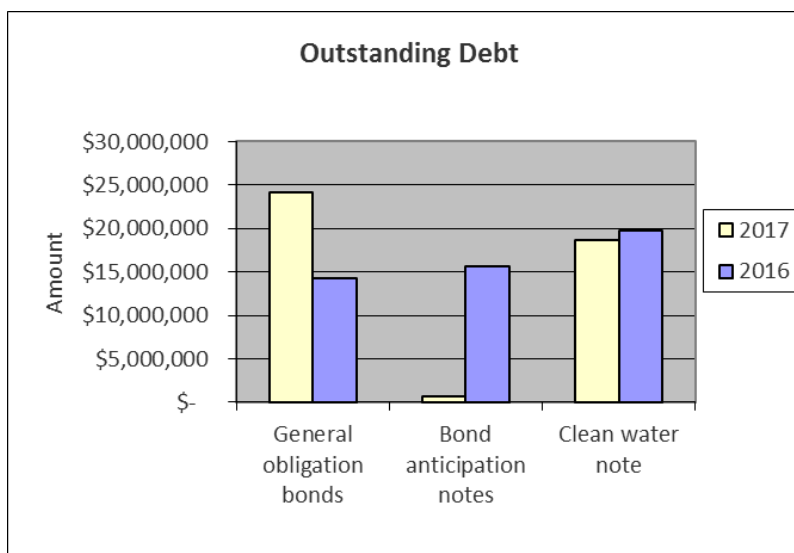
The following are tables of bonded debt as of June 30, 2017 and 2016:

**Bonded Debt  
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 20,424,500	\$ 3,770,500	\$ 24,195,000
Bond anticipation notes	630,000	-	630,000
Clean water note	-	18,688,356	18,688,356
Totals	<u>\$ 21,054,500</u>	<u>\$ 22,458,856</u>	<u>\$ 43,513,356</u>

**Bonded Debt  
June 30, 2016**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 12,257,828	\$ 1,947,172	\$ 14,205,000
Bond anticipation notes	15,605,000	-	15,605,000
Clean water note	-	19,706,743	19,706,743
Totals	<u>\$ 27,862,828</u>	<u>\$ 21,653,915</u>	<u>\$ 49,516,743</u>



Additional information on the Town's debt can be found in Note I and Note J of this report.

**TOWN OF NEW MILFORD, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Unaudited *(Continued)*

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**Economic Factors and Next Year's Budget and Rates**

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

- Unassigned fund balance of the General Fund totaled \$17,933,848 at June 30, 2017.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2018, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - Intergovernmental grants were based on estimates from the State. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2018 and thereafter.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2018.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, New Milford Town Hall, 10 Main Street, New Milford, Connecticut 06776.



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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF NEW MILFORD, CONNECTICUT**

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 36,793,199	\$ 2,994,662	\$ 39,787,861
Investments	6,851,013	-	6,851,013
Receivables:			
Property taxes and interest, net	2,431,005	-	2,431,005
Grants and contracts	2,162,443	-	2,162,443
Settlement	2,700,000	-	2,700,000
Assessments and connection fees	-	310,531	310,531
Other	525,660	181,616	707,276
Other assets	48,976	57,397	106,373
Noncurrent assets:			
Receivables:			
Assessments and connection fees	-	2,383,930	2,383,930
Grants and contracts	129,938	-	129,938
Settlement	13,500,000	-	13,500,000
Internal balances	1,965,394	(1,965,394)	-
Capital assets:			
Non-depreciable	22,249,373	284,333	22,533,706
Depreciable, net	110,807,560	39,373,575	150,181,135
Total assets	<u>200,164,561</u>	<u>43,620,650</u>	<u>243,785,211</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension expense	5,049,984	127,677	5,177,661
Deferred charges on refunding	65,469	-	65,469
Total deferred outflows of resources	<u>5,115,453</u>	<u>127,677</u>	<u>5,243,130</u>
<b>LIABILITIES</b>			
Accounts payable	3,592,937	33,868	3,626,805
Accrued liabilities	1,483,126	274,918	1,758,044
Unearned revenue	1,660,954	-	1,660,954
Bond anticipation notes payable	630,000	-	630,000
Noncurrent liabilities:			
Due within one year	5,107,524	1,405,443	6,512,967
Due in more than one year	37,331,762	21,414,863	58,746,625
Total liabilities	<u>49,806,303</u>	<u>23,129,092</u>	<u>72,935,395</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension benefit	3,784,214	95,675	3,879,889
<b>NET POSITION</b>			
Net investment in capital assets	109,925,346	17,199,052	127,124,398
Restricted for:			
Capital purposes - enabling legislation	25,329,716	-	25,329,716
Grant program purposes	1,122,287	-	1,122,287
Other purposes	87,738	-	87,738
Unrestricted	15,224,410	3,324,508	18,548,918
Total net position	<u>\$ 151,689,497</u>	<u>\$ 20,523,560</u>	<u>\$ 172,213,057</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 11,493,089	\$ 1,406,500	\$ 120,874	\$ -	\$ (9,965,715)	\$ -	\$ (9,965,715)
Public safety	7,955,838	713,679	42,845	-	(7,199,314)	-	(7,199,314)
Public works	9,924,338	342,375	1,936,415	2,445,314	(5,200,234)	-	(5,200,234)
Health and welfare	2,680,045	75,961	416,659	-	(2,187,425)	-	(2,187,425)
Library	1,094,583	30,340	45,188	-	(1,019,055)	-	(1,019,055)
Culture and recreation	1,402,312	1,105,758	6,250	180,000	(110,304)	-	(110,304)
Education	75,319,609	3,384,692	20,588,145	-	(51,346,772)	-	(51,346,772)
Interest expense	742,929	-	-	-	(742,929)	-	(742,929)
Total governmental activities	<u>110,612,743</u>	<u>7,059,305</u>	<u>23,156,376</u>	<u>2,625,314</u>	<u>(77,771,748)</u>	<u>-</u>	<u>(77,771,748)</u>
Business-type activities:							
Sewer	<u>3,228,797</u>	<u>2,711,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(517,208)</u>	<u>(517,208)</u>
Total primary government	<u>\$ 113,841,540</u>	<u>\$ 9,770,894</u>	<u>\$ 23,156,376</u>	<u>\$ 2,625,314</u>	<u>(77,771,748)</u>	<u>(517,208)</u>	<u>(78,288,956)</u>
General revenues:							
Property taxes, levied for general purposes					77,365,935	-	77,365,935
Grants and contributions not restricted to specific programs					914,722	-	914,722
Investment earnings					445,918	107,095	553,013
Total general revenues					<u>78,726,575</u>	<u>107,095</u>	<u>78,833,670</u>
					954,827	(410,113)	544,714
Change in net position before transfers							
Transfers, net					<u>1,608,183</u>	<u>(1,608,183)</u>	<u>-</u>
					2,563,010	(2,018,296)	544,714
Change in net position							
Net position - beginning					<u>149,126,487</u>	<u>22,541,856</u>	<u>171,668,343</u>
Net position - ending					<u>\$ 151,689,497</u>	<u>\$ 20,523,560</u>	<u>\$ 172,213,057</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>General Fund</b>	<b>Waste Management Ordinance Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,807,273	\$ 5,512,286	\$ 143,695	\$ 4,975,070	\$ 32,438,324
Investments	-	4,909,575	-	1,941,438	6,851,013
Receivables:					
Property taxes, net	1,936,014	-	-	-	1,936,014
Interest on property taxes, net	494,991	-	-	-	494,991
Intergovernmental	49,871	-	-	1,583,412	1,633,283
Other	479,960	-	-	45,700	525,660
Due from other funds	1,863,310	-	-	32,876	1,896,186
Advances to other funds	1,965,394	-	-	-	1,965,394
Other	33,442	-	-	15,534	48,976
Total assets	<u>\$ 28,630,255</u>	<u>\$ 10,421,861</u>	<u>143,695</u>	<u>\$ 8,594,030</u>	<u>\$ 47,789,841</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,056,468	\$ 277,732	\$ 226,049	\$ 361,480	\$ 2,921,729
Accrued expenses	1,238,898	-	-	8,008	1,246,906
Due to other funds	7,200	-	121,254	1,767,732	1,896,186
Unearned revenue	442,496	-	-	1,218,458	1,660,954
Bond anticipation notes payable	-	-	-	630,000	630,000
Total liabilities	<u>3,745,062</u>	<u>277,732</u>	<u>347,303</u>	<u>3,985,678</u>	<u>8,355,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	<u>2,191,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,191,997</u>
<b>FUND BALANCES</b>					
Nonspendable	1,998,836	-	-	14,019	2,012,855
Restricted	-	9,129,716	100,000	1,448,555	10,678,271
Committed	249,049	-	-	3,794,715	4,043,764
Assigned	2,511,463	1,014,413	-	-	3,525,876
Unassigned	17,933,848	-	(303,608)	(648,937)	16,981,303
Total fund balances	<u>22,693,196</u>	<u>10,144,129</u>	<u>(203,608)</u>	<u>4,608,352</u>	<u>37,242,069</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,630,255</u>	<u>\$ 10,421,861</u>	<u>\$ 143,695</u>	<u>\$ 8,594,030</u>	<u>\$ 47,789,841</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total fund balances for governmental funds		\$ 37,242,069
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		133,056,933
Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are reported in the statement of net position.		1,265,770
Some of the Town's taxes and interest will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.		2,191,997
Long-term receivables are not available soon enough to pay for the current period's expenditures and, therefore, are not reported in the funds:		
School construction grant receivable	\$ 659,098	
Settlement receivable	16,200,000	
		16,859,098
Long-term liabilities and related amounts applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and related amounts - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(236,220)	
Long-term debt:		
Bonds payable, net	(22,069,348)	
Deferred charges on refunding	65,469	
Other long-term liabilities:		
Capital lease obligations	(1,466,238)	
Compensated absences	(1,071,326)	
Net pension liability	(14,296,344)	
Net OPEB obligation	(3,536,030)	
Total long-term liabilities		(42,610,037)
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities statement of net position.		3,683,667
Net position of governmental activities		\$ 151,689,497

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Waste Management Ordinance Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 76,919,619	\$ -	\$ -	\$ -	\$ 76,919,619
Intergovernmental	22,095,965	166,990	-	5,315,621	27,578,576
Charges for services	4,472,346	-	-	2,588,230	7,060,576
Investment earnings	164,422	2,607	-	278,889	445,918
Other	-	2,753,670	-	112,978	2,866,648
Total revenues	<u>103,652,352</u>	<u>2,923,267</u>	<u>-</u>	<u>8,295,718</u>	<u>114,871,337</u>
<b>EXPENDITURES</b>					
Current:					
General government	11,099,967	-	-	-	11,099,967
Public safety	7,259,023	-	-	-	7,259,023
Public works	5,330,458	-	-	-	5,330,458
Health and welfare	2,600,876	-	-	34,385	2,635,261
Library	-	-	-	1,093,486	1,093,486
Culture and recreation	1,337,735	-	-	-	1,337,735
Education	68,472,228	-	-	4,285,239	72,757,467
Debt service:					
Principal payments	4,501,061	-	-	-	4,501,061
Interest and fiscal charges	911,060	-	-	-	911,060
Capital outlays	799,042	1,616,960	2,049,844	5,138,320	9,604,166
Total expenditures	<u>102,311,450</u>	<u>1,616,960</u>	<u>2,049,844</u>	<u>10,551,430</u>	<u>116,529,684</u>
Excess (deficiency) of revenues over expenditures	1,340,902	1,306,307	(2,049,844)	(2,255,712)	(1,658,347)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease financing	245,938	-	-	-	245,938
Proceeds from bonds	-	-	6,100,000	7,840,000	13,940,000
Premium on bonds	1,115,255	-	-	-	1,115,255
Premium on bond anticipation notes	133,464	-	-	-	133,464
Transfers in	1,775,929	-	282,156	3,013,661	5,071,746
Transfers out	<u>(3,269,413)</u>	<u>(1,232,156)</u>	<u>-</u>	<u>(1,061,994)</u>	<u>(5,563,563)</u>
Total other financing sources (uses)	<u>1,173</u>	<u>(1,232,156)</u>	<u>6,382,156</u>	<u>9,791,667</u>	<u>14,942,840</u>
Net change in fund balances	1,342,075	74,151	4,332,312	7,535,955	13,284,493
Fund balances - beginning	<u>21,351,121</u>	<u>10,069,978</u>	<u>(4,535,920)</u>	<u>(2,927,603)</u>	<u>23,957,576</u>
Fund balances - ending	<u>\$ 22,693,196</u>	<u>\$ 10,144,129</u>	<u>\$ (203,608)</u>	<u>\$ 4,608,352</u>	<u>\$ 37,242,069</u>

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

**TOWN OF NEW MILFORD, 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, 2017**

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Net change in fund balances - total governmental funds \$ 13,284,493

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

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

Expenditures for capital assets	\$ 6,810,281	
Depreciation and amortization expense	<u>(6,384,315)</u>	
Net adjustment		425,966

In the statement of activities, only the loss on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the funds. (43,349)

Certain revenues are not susceptible to accrual and, therefore, are only reported as revenue in the funds when the cash is received by the Town. In the government-wide financial statements, the cash received reduces the receivable recognized in the government-wide statement of net position:

School construction grant receivable	(1,050,083)	
Settlement receivable	<u>(2,700,000)</u>	
		(3,750,083)

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

Debt issued or incurred:		
Capital lease financing	(245,938)	
Bonds issued	(11,840,000)	
Premium on bonds issued	(1,115,255)	
Principal repayments:		
Bonds and note payable	3,673,328	
Capital lease financing	<u>827,733</u>	
Net adjustment		(8,700,132)

Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are amortized as a component of pension expense in the statement of activities. (3,649,302)

*(Continued)*

**TOWN OF NEW MILFORD, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

Accrued interest	\$	781	
Amortization of bond premiums		96,502	
Amortization of deferred charges on refunding		(62,616)	
Compensated absences		(158,399)	
Pollution remediation obligation		1,654,041	
Net OPEB obligation		(645,030)	
Net pension liability		<u>3,503,665</u>	
	\$		4,388,944
Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in unavailable revenues.			446,316
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.			<u>160,157</u>
Change in net position of governmental activities	\$		<u><u>2,563,010</u></u>

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



**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 77,023,300	\$ 77,023,300	\$ 76,919,619	\$ (103,681)
Licenses and permits	540,500	540,500	470,597	(69,903)
Intergovernmental	16,682,461	16,682,461	15,963,236	(719,225)
Charges for services	3,635,159	3,854,975	4,056,825	201,850
Investment earnings	40,000	40,000	163,597	123,597
Total revenues	<u>97,921,420</u>	<u>98,141,236</u>	<u>97,573,874</u>	<u>(567,362)</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,438,052	11,791,051	11,203,935	(587,116)
Public safety	6,533,597	6,850,204	6,805,173	(45,031)
Public works	5,367,710	5,519,271	5,323,375	(195,896)
Health and welfare	2,366,105	2,415,571	2,286,757	(128,814)
Culture and recreation	1,515,390	1,548,087	1,337,735	(210,352)
Education	62,715,808	62,715,808	62,271,108	(444,700)
Debt service:				
Principal payments	6,003,387	6,003,387	6,003,387	-
Interest and fiscal charges	1,248,930	1,248,930	1,248,928	(2)
Capital outlays	1,388,276	1,410,561	1,154,457	(256,104)
Total expenditures	<u>99,577,255</u>	<u>99,502,870</u>	<u>97,634,855</u>	<u>(1,868,015)</u>
Excess (deficiency) of revenues over expenditures	(1,655,835)	(1,361,634)	(60,981)	1,300,653
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of fund balance	300,000	648,955	-	(648,955)
Premium on debt issuances	100,000	100,000	1,154,851	1,054,851
Cancellation of prior year encumbrances	-	-	107,742	107,742
Transfers in	2,545,000	2,545,000	2,545,858	858
Transfers out	(1,289,165)	(1,932,321)	(1,921,281)	11,040
Total other financing sources (uses)	<u>1,655,835</u>	<u>1,361,634</u>	<u>1,887,170</u>	<u>525,536</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,826,189	<u>\$ 1,826,189</u>
Fund balance - beginning			<u>20,617,773</u>	
Fund balance - ending			<u>\$ 22,443,962</u>	

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water Pollution Control Authority</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,994,662	\$ 4,354,875
Receivables:		
Assessments	298,234	-
Sewer usage charges	181,616	-
Connection fees	12,297	-
Inventories	57,397	-
Total current assets	<u>3,544,206</u>	<u>4,354,875</u>
Noncurrent assets:		
Receivables:		
Assessments	2,324,524	-
Connection fees	59,406	-
Capital assets:		
Non-depreciable	284,333	-
Depreciable, net	39,373,575	-
Total noncurrent assets	<u>42,041,838</u>	<u>-</u>
Total assets	<u>45,586,044</u>	<u>4,354,875</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension expense	<u>127,677</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	33,868	-
Accrued liabilities	274,918	671,208
Bonds and notes payable	1,405,443	-
Total current liabilities	<u>1,714,229</u>	<u>671,208</u>
Noncurrent liabilities:		
Advance from other funds	1,965,394	-
Bonds and notes payable	21,053,413	-
Net pension liability	361,450	-
Total non-current liabilities	<u>23,380,257</u>	<u>-</u>
Total liabilities	<u>25,094,486</u>	<u>671,208</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension benefit	<u>95,675</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	17,199,052	-
Unrestricted	3,324,508	3,683,667
Total net position	<u>\$ 20,523,560</u>	<u>\$ 3,683,667</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water Pollution Control Authority</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,711,589	\$ 10,695,115
Total operating revenues	<u>2,711,589</u>	<u>10,695,115</u>
<b>OPERATING EXPENSES</b>		
Personnel services	584,911	-
Employee benefits	106,315	-
Utilities	232,820	-
Laboratory	25,559	-
Maintenance and repairs	128,667	-
Process expense	352,695	-
Administration, premiums and claims	143,991	10,534,958
Depreciation and amortization	1,176,907	-
Total operating expenses	<u>2,751,865</u>	<u>10,534,958</u>
Operating income (loss)	(40,276)	160,157
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	107,095	-
Interest expense	(476,932)	-
Total non-operating expense, net	<u>(369,837)</u>	<u>-</u>
Change in net position before transfers	(410,113)	160,157
Transfer of contribution towards debt service	491,817	-
Transfer of capital debt	(2,100,000)	-
Transfers, net	<u>(1,608,183)</u>	<u>-</u>
Change in net position	(2,018,296)	160,157
Net position - beginning	<u>22,541,856</u>	<u>3,523,510</u>
Net position - ending	<u>\$ 20,523,560</u>	<u>\$ 3,683,667</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water Pollution Control Authority</u>	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for the following:		
Customers and users	\$ 3,045,258	\$ 13,104,307
Cash paid for the following:		
Operating activities	(1,794,326)	(10,859,550)
Net cash provided by operating activities	<u>1,250,932</u>	<u>2,244,757</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(322,152)	-
Interest paid on capital debt	(468,073)	-
Issuance of debt	2,100,000	-
Principal paid on capital debt	(1,295,059)	-
Interfund activities	(1,536,868)	-
Net cash used in capital and related financial activities	<u>(1,522,152)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>107,095</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(164,125)	2,244,757
Cash and cash equivalents, beginning of year	<u>3,158,787</u>	<u>2,110,118</u>
Cash and cash equivalents, end of year	<u>\$ 2,994,662</u>	<u>\$ 4,354,875</u>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating (loss) income	\$ (40,276)	\$ 160,157
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,176,907	-
Pension expense	(207,425)	-
Changes in assets and liabilities:		
Decrease in receivables	330,830	-
Decrease in inventories	10,099	-
Decrease in accounts payable	(58,895)	-
Increase in accrued liabilities	39,692	-
Decrease in interfund activities	-	2,409,192
Decrease in claims payable	-	(324,592)
Net cash provided by operating activities	<u>\$ 1,250,932</u>	<u>\$ 2,244,757</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

	<b>Pension and Other Post- Employment Benefits Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 672,634	\$ 70,970	\$ 2,838,410
Investments:			
Insurance contracts	55,273,171	-	-
Mutual funds	-	63,675	907,369
Corporate bonds	-	-	234,987
Common stock	-	32,702	-
Total assets	<u>55,945,805</u>	<u>167,347</u>	<u>\$ 3,980,766</u>
<b>LIABILITIES</b>			
Due to student groups	-	-	\$ 552,247
Due to others	-	-	3,428,519
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 3,980,766</u>
<b>NET POSITION</b>			
Held in trust for pension benefits and other purposes	<u>\$ 55,945,805</u>	<u>\$ 167,347</u>	

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF CHANGES**  
**IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Pension and Other Post- Employment Benefits Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 2,746,760	\$ -
Plan members	320,558	-
Total contributions	<u>3,067,318</u>	<u>-</u>
Investment earnings:		
Interest and dividends	3,616	2,920
Net change in the fair value of investments, net of fees	4,689,566	18,525
Total investment earnings	<u>4,693,182</u>	<u>21,445</u>
Total additions	<u>7,760,500</u>	<u>21,445</u>
<b>DEDUCTIONS</b>		
Benefit payments	2,936,720	650
Administrative expenses	36,090	14
Total deductions	<u>2,972,810</u>	<u>664</u>
Change in net position	4,787,690	20,781
Net position - beginning	<u>51,158,115</u>	<u>146,566</u>
Net position - ending	<u>\$ 55,945,805</u>	<u>\$ 167,347</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Financial Reporting Entity**

The Town of New Milford, Connecticut was originally settled in 1706 and was granted the powers and privileges of a township by the General Assembly of Connecticut in 1712. The current charter in use was approved and has been amended as recently as 2007. The Town operates under a Town Council and Board of Finance form of government and provides the following services as authorized by its charter: public safety, public works, health and welfare, library, culture and recreation, education, and sewers.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are in substance, part of the government's operations and therefore, data from these units are combined with data of the primary government. Based on these criteria, the New Milford Public Library has been included in the Town's financial statements as a blended component unit.

The New Milford Public Library ("NMPL") was established in 1898 for the purposes of circulation of library materials to the public. The Town currently subsidizes a portion of the NMPL's operations within its General Fund budget on an annual basis. NMPL activity is reported as part of the Town's financial statements within the Library Memorial Trust Fund and Library Expansion Fund, as nonmajor special revenue funds, as well as the Woolsey-Pepper and Egbert Marsh private purpose trust funds.

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Government-wide and Fund Financial Statements *(Continued)***

**Fund Financial Statements**

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

The Town reports the following major governmental funds:

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

**Waste Management Ordinance Fund** - This fund is used to account for monies set aside pursuant to a Town ordinance for the acquisition of land and building for public recreation, public education, or public library facilities. In addition, the Town may apply an amount not to exceed 10.0% of the total fund balance available as of July 1 of each fiscal year towards the Town's annual General Fund budget. As such, \$9,129,716 has been presented as restricted for capital purposes pursuant to enabling legislation enacted by the Town. The major source of revenue for this fund is settlement proceeds from certain zoning violations relating to a municipal solid waste facility.

**Capital Projects Fund** - This fund is used to account for the financial activity of capital projects financed with debt proceeds.

The Town reports the following major proprietary funds:

**Water Pollution Control Authority** - This fund is used to account for revenues and expenses associated with the sewer collection and processing services for the Town's residences and businesses.

In addition, the Town reports the following proprietary and fiduciary fund types:

**Internal Service Fund** - This fund accounts for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for medical self-insurance activities.

**Pension and Other Post-Employment Benefits Trust Funds** - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's pension plan, which is a defined benefit pension plan, and the other post-employment benefits plan.



**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Government-wide and Fund Financial Statements *(Continued)***

**Fund Financial Statements *(Continued)***

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

***Agency Funds*** - These funds are used to account for resources held by the Town in a purely custodial capacity.

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Measurement Focus and Basis of Accounting *(Continued)***

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

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

**Cash Equivalents**

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

**Investments**

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools and insurance contracts as described below.

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the fund.

Investments in insurance contracts are measured by the Town at contract value.

**Inventories**

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

**Property Taxes, Sewer Usage Charges and Sewer Assessment Fees**

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest as of June 30, 2017 of \$71,000 and \$64,000, respectively.

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2017

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

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

**Property Taxes, Sewer Usage Charges and Sewer Assessment Fees *(Continued)***

Upon completion of projects, sewer assessments are levied to users. Once levied, annual assessments are made to users periodically throughout the year, based on the start date of the levy. Usage charges are billed semi-annually. Assessments and user charges are due and payable within 30 days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessments and usage charges are paid in full. Based on historical collection experience and other factors, an allowance for uncollectible assessments as of June 30, 2017 is not considered necessary.

**Capital Assets**

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Such assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the Town are defined by the following capitalization thresholds:

Asset Category	Capitalization Threshold
Vehicles, Machinery, Equipment	\$ 5,000
Improvements (Examples: Land improvements, Building modifications or additions, parking lot expansion)	20,000
Infrastructure (Examples: New roads, bridges, water lines, etc.)	100,000

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

Asset Category	Useful Lives
Computer equipment	5
Equipment	5-20
Vehicles	10-20
Sidewalks	20
Minor Building Improvements (e.g. sculptures, signs)	0
Intangible assets (copyrights, patents, etc.)	30-50
Buildings/Maj. Building & Land Improvements:	50-100
Roads, Catch Basins	75

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

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

**Unearned Revenue**

This liability represents resources that have been received but not yet earned.

**Deferred Outflows/Inflows of Resources**

Deferred outflows and inflows of resources represent either an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows of resources consist of deferred charges on refunding and deferred pension expenses reported in the government-wide financial statements. Deferred charges on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount has been deferred and is being amortized over the life of the related debt. Deferred pension expenses resulted from changes in the net pension liability and is being amortized as a component of pension expense on a systematic and rational basis.

Deferred inflows of resources consist of revenues that are considered unavailable under the modified accrual basis of accounting and deferred pension benefits. Unavailable revenue is reported in the governmental funds financial statements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension benefits are reported in the government-wide financial statements. Deferred pension benefits resulted from changes in the net pension liability and is being amortized as a reduction of pension expense on a systematic and rational basis.

**Compensated Absences**

Town employees accumulate vacation and sick leave hours for subsequent use or payment upon termination based upon length of employment. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources. All compensated absences are accrued when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they have matured (i.e. due to resignation or retirement).

**Long-term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

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

**Net Position and Fund Balance**

The government-wide statement of net position presents the Town's assets, deferred outflows and inflows of resources and liabilities, with net position as the residual of these other elements. Net position is reported in three categories:

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

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

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

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

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

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

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

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

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

***Net Position Flow Assumption***

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

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

**Net Position and Fund Balance *(Continued)***

***Fund Balance Flow Assumption***

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

The Town does not have a formal policy over the use of fund balance. In accordance with the applicable accounting guidance, when committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

**Interfund Services Provided and Used**

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

**Interfund Transfers**

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

**Interfund Reimbursements**

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Use of Estimates**

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

**NOTE B - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES**

**Budgetary Information**

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

- The Mayor, with the approval of the Town Council, presents to the Board of Finance an annual budget by the third Tuesday in March. The Board of Finance holds one or more public hearings on the budget by the third Tuesday in April. Within fifteen days of the last public hearing, the Board of Finance approves the budget for submission to the annual Budget Meeting.
- The annual Budget Meeting adopts the budget by the second Tuesday in May, which provides for appropriations by major object of the following categories: personal services, contractual services, materials and supplies, fixed charges, capital outlays and revenues other than property taxes to be collected in the ensuing fiscal year.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established at the department level.
- Transfers of budgeted amounts between departments must be approved by the Board of Finance. Management may transfer amounts between line items within a department. The Board of Finance may approve additional appropriations for a department, provided such additional appropriations do not exceed, in the aggregate in any one year, an amount in excess of 1/5<sup>th</sup> of one mill per each one thousand dollars of the last completed Grand List. Appropriations in excess of the amount which the Board of Finance may approve must be approved by vote of a Town Meeting. During the year ended June 30, 2017, the Board of Finance and, where required, Town meetings approved additional appropriations from fund balance of \$300,000.
- Any portion of an annual appropriation remaining unexpended and unencumbered at the close of the fiscal year lapses unless continued upon recommendation of the Director of Finance and approved by the Board of Finance, except those for Capital Projects Funds. Appropriations for Capital Projects Funds are continued until completion of the applicable projects, which often last more than one fiscal year, but cannot exceed five years.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

**Budgetary Information (Continued)**

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2017:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources, Net</u>	<u>Net Change in Fund Balance</u>
Budgetary basis	\$ 97,573,874	\$ 97,634,855	\$ 1,887,170	\$ 1,826,189
"On-behalf" payments - State Teachers Retirement Fund (see Note K)	5,740,996	5,740,996	-	-
Changes in encumbrances	-	282,284	-	(282,284)
Cancellation of prior year encumbrances	-	(107,742)	(107,742)	-
Reimbursement for certain costs recorded as a reduction to expenditures for budgetary purposes	336,657	336,657	-	-
Certain items recorded as transfers for budgetary purposes	-	(2,274,193)	(2,274,193)	-
Volunteer Fire Fund	825	452,655	250,000	(201,830)
Noncash capital lease financing activity	-	245,938	245,938	-
GAAP basis	<u>\$ 103,652,352</u>	<u>\$ 102,311,450</u>	<u>\$ 1,173</u>	<u>\$ 1,342,075</u>

**Deficit Fund Balances**

The following funds have deficit fund balances as of June 30, 2017, none of which constitutes a violation of statutory provisions:

<u>Fund</u>	<u>Amount</u>
Roads III 12-13 BANS Fund	\$ 630,000
Capital Projects Fund	203,608
STEAP Grants Fund	18,937

The deficits are expected to be eliminated through future revenue sources, transfers from the General Fund and/or proceeds from the issuance of long-term debt.



**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE C - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash deposits as of June 30, 2017 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 39,787,861
Statement of fiduciary net position:	
Cash and cash equivalents	3,582,014
	43,369,875
Less: cash equivalents considered investments for disclosure purposes	
	(10,043,005)
	\$ 33,326,870

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$33,102,992 of the Town's bank balance of \$34,415,438 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 29,792,693
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	3,310,299
	\$ 33,102,992

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

**Investments**

A reconciliation of the Town's investments as of June 30, 2017 is as follows:

Government-wide statement of net position:	
Investments	\$ 6,851,013
Statement of fiduciary net position:	
Investments	56,511,904
	63,362,917
Add: cash equivalents considered investments for disclosure purposes	
	10,043,005
	\$ 73,405,922

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

As of June 30, 2017, the Town's investments consist of the following:

Investment type	Valuation Basis	Value	Investment Maturities (In Years)		
			Less Than 1	1 to 5	6 to 10
<b>Debt securities:</b>					
<b>Governmental Activities:</b>					
Short-Term Investment Fund	Net asset value	\$ 9,167,238	\$ 9,167,238	\$ -	\$ -
Municipal Bonds	Fair value	2,019,044	-	1,373,057	645,987
U.S. Agency Securities	Fair value	2,890,531	199,426	1,488,654	1,202,451
<b>Business-Type Activities:</b>					
Short-Term Investment Fund	Net asset value	818,006	818,006	-	-
<b>Fiduciary:</b>					
Money market mutual funds	Net asset value	57,761	57,761	-	-
Corporate bonds	Fair value	234,987	65,020	149,888	20,079
		15,187,567	\$ 10,307,451	\$ 3,011,599	\$ 1,868,517
<b>Other investments:</b>					
<b>Governmental Activities:</b>					
Mutual funds	Fair value	1,941,438			
<b>Fiduciary:</b>					
Mutual Funds	Fair value	971,044			
Common stock	Fair value	32,702			
Insurance contracts	Contract value	55,273,171			
		\$ 73,405,922			

The Town's investments in debt securities, whose ratings are required to be disclosed, were rated by Standard & Poor's as follows:

	AAA	AA	A	BBB	Unrated
<b>Debt Securities:</b>					
<b>Governmental Activities:</b>					
Short-Term Investment Fund	\$ 9,167,238	\$ -	\$ -	\$ -	\$ -
Municipal Bonds	1,334,042	527,392	157,610	-	-
U.S. Agency Securities	2,890,531	-	-	-	-
<b>Business Type Activities</b>					
Short-Term Investment Fund	818,006	-	-	-	-
<b>Fiduciary Funds:</b>					
Money market mutual funds	-	-	-	-	57,761
Corporate Bonds	10,372	-	91,816	132,799	-

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Investments *(Continued)***

**Interest Rate Risk**

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

**Credit Risk**

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

The Town's investments in debt securities, whose ratings are required to be disclosed, were rated by Standard & Poor's as presented above.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in external investment pools, mutual funds and insurance contracts are not evidenced by securities and are therefore not exposed to custodial credit risk. The Town's investments in corporate bonds and common stock are held in book entry form in the name of the Town and are therefore also not exposed to custodial credit risk.

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2017, more than 10% of the Town's investments were invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Investments</u>
<b><i>Governmental Activities:</i></b>			
State of CT Treasurer	Short-Term Investment Fund	\$ 9,167,238	57.2%
<b><i>Business Type Activities:</i></b>			
State of CT Treasurer	Short-Term Investment Fund	818,006	100.0%
<b><i>Fiduciary:</i></b>			
Principal Financial Group	Bond Market Index Separate Account-R6	5,720,699	10.1%
Principal Financial Group	Large Cap Growth I Separate Account-R6	6,766,760	12.0%
Principal Financial Group	Core Plus Bond Separate Account-R6	17,402,979	30.8%

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE D - FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2017, by level within the fair value hierarchy are presented in the table below.

<b>Financial Assets Measured at Fair Value</b>	<b>Active Market (Level 1)</b>	<b>Inputs (Level 2)</b>	<b>Inputs (Level 3)</b>
<b><i>Governmental Activities:</i></b>			
Municipal Bonds	\$ -	\$ 2,019,044	\$ -
U.S. Agency Securities	-	2,890,531	-
Mutual Funds	1,941,438	-	-
<b><i>Fiduciary Funds:</i></b>			
Corporate Bonds	-	234,987	-
Mutual Funds	971,044	-	-
Common stock	32,702	-	-

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2017 consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 16,778,689	\$ 127,546	\$ -	\$ -	\$ 16,906,235
Construction in progress	6,182,727	5,453,671	-	(6,293,260)	5,343,138
Total capital assets, not being depreciated	<u>22,961,416</u>	<u>5,581,217</u>	<u>-</u>	<u>(6,293,260)</u>	<u>22,249,373</u>
Capital assets, being depreciated:					
Buildings and improvements	93,780,729	-	(37,338)	6,293,260	100,036,651
Infrastructure	108,158,480	-	-	-	108,158,480
Land improvements	983,234	-	(3,264)	-	979,970
Machinery and equipment	20,549,374	1,229,064	(1,794,877)	-	19,983,561
Total capital assets, being depreciated	<u>223,471,817</u>	<u>1,229,064</u>	<u>(1,835,479)</u>	<u>6,293,260</u>	<u>229,158,662</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	36,360,697	2,370,034	(26,152)	-	38,704,579
Infrastructure	66,984,735	2,309,544	-	-	69,294,279
Land improvements	392,830	66,338	(2,430)	-	456,738
Machinery and equipment	10,020,655	1,638,399	(1,763,548)	-	9,895,506
Total accumulated depreciation and amortization	<u>113,758,917</u>	<u>6,384,315</u>	<u>(1,792,130)</u>	<u>-</u>	<u>118,351,102</u>
Total capital assets, being depreciated, net	<u>109,712,900</u>	<u>(5,155,251)</u>	<u>(43,349)</u>	<u>6,293,260</u>	<u>110,807,560</u>
Governmental activities capital assets, net	<u>\$ 132,674,316</u>	<u>\$ 425,966</u>	<u>\$ (43,349)</u>	<u>\$ -</u>	<u>\$ 133,056,933</u>

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

Governmental Activities:	
General government	\$ 289,767
Public safety	483,933
Public works	2,982,779
Health and welfare	38,390
Culture and recreation	65,685
Education	<u>2,523,761</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 6,384,315</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE E - CAPITAL ASSETS (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2017 consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	520,467	275,173	-	(516,307)	279,333
Total capital assets, not being depreciated	<u>525,467</u>	<u>275,173</u>	<u>-</u>	<u>(516,307)</u>	<u>284,333</u>
Capital assets, being depreciated:					
Buildings and improvements	29,571,006	-	-	-	29,571,006
Infrastructure	10,466,573	-	-	-	10,466,573
Machinery and equipment	8,085,416	44,140	-	516,307	8,645,863
Total capital assets, being depreciated	<u>48,122,995</u>	<u>44,140</u>	<u>-</u>	<u>516,307</u>	<u>48,683,442</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	2,540,903	603,640	-	-	3,144,543
Infrastructure	2,828,646	221,236	-	-	3,049,882
Machinery and equipment	2,763,411	352,031	-	-	3,115,442
Total accumulated depreciation and amortization	<u>8,132,960</u>	<u>1,176,907</u>	<u>-</u>	<u>-</u>	<u>9,309,867</u>
Total capital assets, being depreciated, net	<u>39,990,035</u>	<u>(1,132,767)</u>	<u>-</u>	<u>516,307</u>	<u>39,373,575</u>
Business-type activities capital assets, net	<u>\$ 40,515,502</u>	<u>\$ (857,594)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,657,908</u>

**NOTE F - SETTLEMENT RECEIVABLE**

The Town executed a twenty-four year settlement agreement dated September 21, 1998 in the amount of \$43,100,000 in connection with certain zoning violations relating to a municipal solid waste facility. Annual installments are due to the Town in various amounts, as stipulated in the settlement agreement. The balance of the settlement receivable as of June 30, 2017 totaled \$16,200,000. Future annual installments collectible under the settlement agreement are as follows as of June 30, 2017:

Year ending June 30:	Amount
2018	\$ 2,700,000
2019	2,700,000
2020	2,700,000
2021	2,700,000
2022	2,700,000
2023	2,700,000
	<u>\$ 16,200,000</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE G - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds:</b>		
General Fund	Water Pollution Control Authority	\$ 1,965,394
	Capital Projects Fund	121,254
	Other Governmental Funds	<u>1,742,056</u>
		<u>3,828,704</u>
Other Governmental Funds	General Fund	7,200
	Other Governmental Funds	<u>25,676</u>
		<u>32,876</u>
		<u>\$ 3,861,580</u>

Except as disclosed below, the above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The General Fund has previously advanced funds to the Water Pollution Control Authority to fund bond principal and interest payments. The Town intends to liquidate the amounts due to the General Fund through future revenues collected by the Water Pollution Control Authority. It is anticipated that a portion of the balance due to the General Fund from the Water Pollution Control Authority will not be repaid within one year and, therefore, an amount of \$1,965,394 has been presented as an advance as of June 30, 2017.

**NOTE H - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Waste Management Ordinance Fund	\$ 950,000
	Other Governmental Funds	<u>825,929</u>
		<u>1,775,929</u>
Capital Projects Funds	Waste Management Ordinance Fund	<u>282,156</u>
Other Governmental Funds	General Fund	2,777,596
	Other Governmental Funds	<u>236,065</u>
		<u>3,013,661</u>
		<u>\$ 5,071,746</u>
<b>Business Type Activities Funds:</b>		
Water Pollution Control Authority	General Fund	<u>\$ 491,817</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE I - BOND ANTICIPATION NOTES PAYABLE**

In July 2016, the Town retired a portion of the \$15,605,000 in previously outstanding bond anticipation notes and refinanced the remaining portion through the issuance of \$14,570,000 in bond anticipation notes. In April 2017, the Town retired a portion of the \$14,570,000 in bond anticipation notes through the issuance of general obligation bonds and refinanced the remaining portion through the issuance of \$630,000 in bond anticipation notes. The \$630,000 in bond anticipation notes matured in July 2017 (See Note Q). The purposes of the notes were to provide short-term financing to fund authorized capital projects.

The following is a summary of terms and changes in short-term debt for the year ended June 30, 2017:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>						
Bond anticipation notes payable	1.00%	July 2016	\$ 15,605,000	\$ -	\$ (15,605,000)	\$ -
Bond anticipation notes payable	1.00%	April 2017	-	14,570,000	(14,570,000)	-
Bond anticipation notes payable	1.70%	July 2017	-	630,000	-	630,000
			<u>\$ 15,605,000</u>	<u>\$ 15,200,000</u>	<u>\$ (30,175,000)</u>	<u>\$ 630,000</u>

**NOTE J - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 12,257,828	\$ 11,840,000	\$ (3,673,328)	\$ 20,424,500	\$ 3,393,500
Unamortized premium	626,095	1,115,255	(96,502)	1,644,848	-
Total bonds payable	<u>12,883,923</u>	<u>12,955,255</u>	<u>(3,769,830)</u>	<u>22,069,348</u>	<u>3,393,500</u>
Other liabilities:					
Capital leases	2,048,033	245,938	(827,733)	1,466,238	642,698
Compensated absences	912,927	897,222	(738,823)	1,071,326	1,071,326
Pollution remediation obligation	1,654,041	-	(1,654,041)	-	-
Net pension liability	17,800,009	-	(3,503,665)	14,296,344	-
Net OPEB obligation	2,891,000	645,030	-	3,536,030	-
	<u>\$ 38,189,933</u>	<u>\$ 14,743,445</u>	<u>\$ (10,494,092)</u>	<u>\$ 42,439,286</u>	<u>\$ 5,107,524</u>
<b>Business-type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 1,947,172	\$ 2,100,000	\$ (276,672)	\$ 3,770,500	\$ 366,500
Other liabilities:					
Notes payable	19,706,743	-	(1,018,387)	18,688,356	1,038,943
Net pension liability	741,667	-	(380,217)	361,450	-
	<u>\$ 22,395,582</u>	<u>\$ 2,100,000</u>	<u>\$ (1,675,276)</u>	<u>\$ 22,820,306</u>	<u>\$ 1,405,443</u>

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



**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

**General Obligation Bonds and Notes Payable**

A summary of general obligation bonds and note payable outstanding at June 30, 2017 is as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Bonds	2004	6,472,120	2.0% - 5.0%	2020	\$ 1,939,500
General Obligation Bonds	2008	16,963,000	4.0% - 5.0%	2028	4,205,000
General Obligation Bonds	2010	3,865,000	2.0% - 4.0%	2031	2,440,000
General Obligation Bonds	2017	11,840,000	3.0% - 5.0%	2037	11,840,000
					<u>\$ 20,424,500</u>
<b>Business-type Activities</b>					
Bonds Payable					
General Obligation Bonds	2004	4,630,000	2.0% - 5.0%	2024	\$ 1,620,500
General Obligation Bonds	2008	242,000	4.0% - 5.0%	2019	50,000
General Obligation Bonds	2017	2,100,000	3.0% - 5.0%	2037	2,100,000
					<u>3,770,500</u>
Notes Payable					
State of Connecticut Clean Water Fund	2013	22,165,429	2.0%	2033	18,688,356
					<u>\$ 22,458,856</u>

Annual debt service requirements to maturity on general obligation bonds and the notes payable are as follows as of June 30, 2017:

<u>Year ending</u> <u>June 30:</u>	<u>Governmental Activities</u>		
	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,393,500	\$ 760,539	\$ 4,154,039
2019	3,328,500	634,532	3,963,032
2020	1,853,500	526,761	2,380,261
2021	1,348,500	445,739	1,794,239
2022	1,263,500	386,050	1,649,550
2023-2027	6,112,000	1,109,950	7,221,950
2028-2032	2,500,000	302,410	2,802,410
2033-2037	625,000	58,906	683,906
	<u>\$ 20,424,500</u>	<u>\$ 4,224,887</u>	<u>\$ 24,649,387</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**General Obligation Bonds and Notes Payable *(Continued)***

Year ending June 30:	Business-type Activities					Total
	Bonds Payable		Notes Payable			
	Principal	Interest	Principal	Interest		
2018	\$ 366,500	\$ 142,217	\$ 1,038,943	\$ 364,278	\$ 1,911,938	
2019	361,500	130,271	1,059,913	343,307	1,894,991	
2020	336,500	116,186	1,081,307	321,914	1,855,907	
2021	336,500	101,444	1,103,132	300,088	1,841,164	
2022	336,500	86,471	1,125,398	277,822	1,826,191	
2023-2027	1,018,000	239,911	5,977,033	1,039,070	8,274,014	
2028-2032	725,000	108,750	6,605,094	411,010	7,849,854	
2033-2037	290,000	13,050	697,536	4,075	1,004,661	
	<u>\$ 3,770,500</u>	<u>\$ 938,300</u>	<u>\$ 18,688,356</u>	<u>\$ 3,061,564</u>	<u>\$ 26,458,720</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, 2017 was \$1,118,072. Additional reimbursements of principal and interest aggregating \$659,098 and \$34,332, respectively, are expected to be received through the applicable bonds' maturity dates. The Town has recorded a receivable relating to the principal portion of these payments in the accompanying statement of net position. Remaining amounts will be realized by the Town through fiscal year 2020.

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2017.

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2017:

	<b>Governmental Activities</b>
Equipment	\$ 4,600,482
Less: accumulated amortization	<u>1,283,848</u>
	<u>\$ 3,316,634</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Capital Leases *(Continued)***

Amortization expense relative to leased property under capital leases totaled \$391,387 for the year ended June 30, 2017 and is included in depreciation and amortization expense disclosed in Note E.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2017 is as follows:

	<b>Governmental Activities</b>
Year Ending June 30:	
2018	\$ 667,725
2019	358,053
2020	125,127
2021	116,066
2022	116,066
Thereafter	<u>116,066</u>
Total minimum lease payments	1,499,103
Less: amount representing interest	<u>32,865</u>
Present value of minimum lease payments	<u><u>\$ 1,466,238</u></u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE K - EMPLOYEE RETIREMENT PLANS**

**Pension Trust Fund**

**Plan Description**

*Plan administration* - The Town sponsors and administers the Town of New Milford Pension Plan (the "Plan") which is a single employer, contributory, defined benefit plan. The Plan covers substantially all full time employees of the Town and Board of Education personnel other than certified teachers, who are covered under the State Teachers' Retirement System. The Plan is administered by the Town Finance Director. Plan benefits and contribution requirements are established by the plan document.

*Plan membership* - All full time employees eligible to participate in the plan become a plan participant with their date of hire. Membership of the Plan consisted of the following as of June 30, 2017:

Retirees and beneficiaries receiving benefits	237
Terminated plan members entitled to but not yet receiving benefits	107
Active plan members	404
	748
	748

*Benefits provided* - The Plan provides retirement, death and disability benefits to all eligible members. Benefit provisions are established and may be amended by the Town Council and vary by class of employees covered, per terms of the Plan agreement. The following is a summary of the provisions for each type of class covered:

**Non-union employees:** All full time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 1.6% (for general government employees and library employees), 2.0% (for sewer employees) and 1.33% (for Board of Education employees) of the participant's highest average annual compensation in the five years during the last ten years of service, multiplied by the number of years of service. The normal retirement age is the earlier of age 65 with 5 years of service or the attainment of age 60 and age plus service equals or exceeds 85. Employees are eligible for early retirement (within ten years of the normal retirement date but not earlier than age 55). Benefits are reduced by 0.5% per month for each month that the early retirement date precedes the normal retirement date.

**Teamsters:** All full time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 1.8% (amended in 2007 from 1.7%) of the participant's highest average annual compensation in the three years during the last ten years of service, multiplied by the number of years of service. The normal retirement age is the earlier of age 65 with 5 years of service or age plus service equals or exceeds 84, regardless of age. Employees are eligible for early retirement (within ten years of the normal retirement date but not earlier than age 55). Benefits are reduced by 0.5% per month for each month that the early retirement date precedes the normal retirement date.

**AFSCME:** All full time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 1.6% of the participant's highest average annual compensation in the three years during the last ten years of service, multiplied by the number of years of service. The normal retirement age is the earlier of age 65 with 5 years of service or the attainment of age 60 and age plus service equals or exceeds 84. Employees are eligible for early retirement (within ten years of the normal retirement date but not earlier than age 55). Benefits are reduced by 0.5% per month for each month that the early retirement date precedes the normal retirement date.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE K - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Plan Description *(Continued)***

*Benefits provided (Continued) -*

**Police:** All full time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon the completion of 10 years of service. The normal retirement benefit is calculated as 2.5% (amended during 2007 from 2.25%) of the participant's highest average annual compensation in the three years during the last five years of service, multiplied by the number of years of service, up to a 30 year maximum, plus 1.0% of the participant's highest average annual compensation in the three years during the last five years of service, multiplied by the number of years of service, up to a 35 year maximum. The normal retirement age is the earlier of age 55 with 5 years of service or the completion of 25 years of service.

**Contributions -** The contribution requirements of plan members and the Town are established and may be amended by the Town Council. The employer's contributions were based on normal cost and an amortization of the unfunded actuarial accrued liability. The Town's actuary determines annual employer contributions to the plan. Employee contribution requirements vary by class of employees covered, per terms of the Plan agreement. The following is a summary of the contribution requirements for each type of class covered:

**Non-union employees:** Employees are not required to contribute to the plan.

**Teamsters:** Employees are required to contribute 2% of compensation under a salary reduction agreement to the Plan.

**AFSCME:** Employees are required to contribute 2% of compensation under a salary reduction agreement to the Plan.

**Police:** Employees are required to contribute 6% of compensation to the Plan, until 35 years of service is attained, at which point, contributions are not required. There are no early retirement provisions.

**Summary of Significant Accounting Policies**

**Accounting Policies -** The Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

**Investments -** Investments consists of insurance contracts and are measured by the Town at contract value.

**Concentrations -** As of June 30, 2017, 100% of the Town Plan's investments were invested in insurance contracts issued by the Principal Financial Group.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

**NOTE K - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Summary of Significant Accounting Policies *(Continued)***

*Rate of return* - For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was approximately 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The components of the Town's net pension liability of the Town Plan at June 30, 2017, were as follows:

Total pension liability	\$ 69,930,965
Plan fiduciary net position	<u>55,273,171</u>
Net pension liability	<u><u>\$ 14,657,794</u></u>
Plan fiduciary net position as a percentage of the total pension liability	79.04%

The components of the change in the net pension liability of the Town Plan for the year ended June 30, 2017, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2016	\$ 69,030,772	\$ 50,489,096	\$ 18,541,676
<b>Changes for the year:</b>			
Service cost	1,405,712	-	1,405,712
Interest	4,850,343	-	4,850,343
Differences between expected and actual experience	(1,691,087)	-	(1,691,087)
Change in assumption	(728,055)	-	(728,055)
Contributions - employer	-	2,746,760	(2,746,760)
Contributions - employee	-	320,558	(320,558)
Net investment income	-	4,689,567	(4,689,567)
Benefit payments, including refunds	(2,936,720)	(2,936,720)	-
Administrative expense	-	(36,090)	36,090
<b>Net changes</b>	<u>900,193</u>	<u>4,784,075</u>	<u>(3,883,882)</u>
Balance as of June 30, 2017	<u><u>\$ 69,930,965</u></u>	<u><u>\$ 55,273,171</u></u>	<u><u>\$ 14,657,794</u></u>

The Town's net pension liability has been allocated between its governmental and business-type activities based on the proportionate share of contributions made to the plan.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE K - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Pension Trust Fund *(Continued)***

**Net Pension Liability *(Continued)***

*Actuarial assumptions* - The total pension liability for the Town Plan was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	2.50%
Investment rate of return, including inflation	7.50%
Discount rate	7.50%

The long-term expected rate of return on the Town Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Town Plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.38%	31.50%	8.19%
International Equity	11.70%	10.50%	4.42%
Fixed Income	52.88%	50.00%	6.20%
Real Estate / Other	2.04%	8.00%	Unavailable

*Discount rate* - The discount rate used to measure the total pension liability of the Town Plan was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Town Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2017

**NOTE K - EMPLOYEE RETIREMENT PLANS *(Continued)***

***Pension Trust Fund (Continued)***

**Net Pension Liability *(Continued)***

*Sensitivity of the net pension liability to changes in the discount rate* - The following presents the net pension liability of the Town Plan, calculated using the discount rate of 7.50% as well as what the Town Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount (7.5%)</b>	<b>1% Increase (8.5%)</b>
Town Plan's net pension liability as of June 30, 2017	\$ 22,687,774	\$ 14,657,794	\$ 7,922,461

**Pension Expense and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2017, the Town recognized pension expense related to the Town Plan of \$2,684,972. At June 30, 2017, the Town reported deferred outflows and inflows of resources related to the Town Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
Difference between expected and actual experience	\$ 187,739	\$ (1,727,931)	\$ (1,540,192)
Changes of assumptions and demographics	2,570,593	(591,562)	1,979,031
Difference between projected and actual earnings on plan investments	2,419,329	(1,560,396)	858,933
Total	\$ 5,177,661	\$ (3,879,889)	\$ 1,297,772

Amounts reported as deferred outflows and inflows of resources related to the Town Plan will be recognized as a component of pension expense in future years as follows:

	<b>Amortization Pension Expense</b>
Year ended June 30,	
2018	\$ 296,996
2019	972,625
2020	611,954
2021	(407,753)
2022	(168,230)
Thereafter	(7,820)
	\$ 1,297,772



**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE K - EMPLOYEE RETIREMENT PLANS *(Continued)***

**State of Connecticut Teachers' Retirement System**

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty.

The Town has recognized on-behalf payments of \$5,740,996 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2016 was \$14.245 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$83.828 million or approximately 0.588% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined.

The total pension liability as of June 30, 2016, was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	3.25% - 6.50% (includes inflation)
Investment rate of return	8.00% (includes inflation)
Cost of living adjustments:	
Retirements prior to 9/1/1992	3.00%
Retirements on or after 9/1/1992	2.00%

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE K - EMPLOYEE RETIREMENT PLANS (Continued)**

**State of Connecticut Teachers' Retirement System (Continued)**

For healthy retirees and beneficiaries, mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.80%
Developed Non-U.S. Equities	18.0%	6.60%
Fixed Income (Core)	7.0%	1.30%
Private Equity	11.0%	7.60%
Emerging Markets (Non-U.S.)	9.0%	8.30%
Alternative Investments	8.0%	4.10%
Inflation Linked Bonds	3.0%	1.00%
Cash	6.0%	0.40%
Real Estate	7.0%	5.10%
Emerging Market Bonds	5.0%	3.70%
High Yield Bonds	5.0%	3.90%
	100.0%	

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability attributed to the Town	\$ 103,420,292	\$ 83,828,035	\$ 67,265,864

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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**NOTE K - EMPLOYEE RETIREMENT PLANS (Continued)**

**Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. In addition, the Town has no liability for losses under the plan. Therefore, the accounts of the deferred compensation plan are not reported in the basic financial statements of the Town.

**NOTE L - AWARDS PROGRAM**

The Town, in collaboration with the volunteer firefighters and ambulance organizations that serve the Town, has established a revocable trust fund (the "Firefighters Reward Program Fund") to accumulate awards for the benefit of the organizations' members. Members generally become eligible to participate in the awards program upon completion of one year of continuous service. The contribution requirements of the Town are established and may be amended by the Boards governing each organization, with approval by the Town Council. The Town generally contributes \$300 annually to the fund on-behalf of each active participant. Participants become fully vested in the awards program upon completion of 10 years of service, upon death or upon becoming disabled. The Town finance director serves as the administrator of the awards program and, accordingly, the Town has reported the Firefighters Reward Program Fund as an agency fund in the accompanying financial statements. During the year ended June 30, 2017, the Town contributed \$43,800 to the fund for awards earned by participants for the fiscal 2016 service year.

**NOTE M - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

**Plan Membership**

At June 30, 2017, plan membership consisted of the following:

	<b>Police</b>	<b>Teachers</b>	<b>Total</b>
Current retirees, beneficiaries, and dependents	21	74	95
Current active participants	39	311	350
	60	385	445

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Plan Provisions**

Contribution requirements of the plan members and the Town are established through negotiations between the Town and the unions. Retired program members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums. Currently, the Town contributes the following for various classes of employees covered:

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

*Police:* Police Officers who retire under the Town's pension plan with at least 25 years of service, shall be eligible to continue receiving health benefits for self and spouse. All retirees under the age of 65 are required to contribute 100% of their premium costs. Individuals receiving benefits contribute 10% of their premium costs.

**Funding Policy**

Contribution requirements of the plan members and the Town are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. The Town is funding these benefits in an Other Post-Employment Benefits Trust Fund.

**Summary of Significant Accounting Policies**

The OPEB Plan is accounted for using the accrual basis of accounting. Employer contributions to the OPEB Plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable.

*Investments* - Investments are measured at fair value, except for investments in money market mutual funds which are permitted to be measured at net asset value.

*Rate of return* - For the year ended June 30, 2017 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.54%. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

Administrative costs of the Plan are generally financed through investment earnings.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 1,394,802
Interest on net OPEB obligation	232,363
Adjustment to annual required contribution	<u>(252,467)</u>
Annual OPEB cost (expense)	1,374,698
Contributions made	<u>729,668</u>
Increase in net OPEB obligation	645,030
Net OPEB obligation, beginning of year	<u>2,891,000</u>
Net OPEB obligation, end of year	<u><u>\$ 3,536,030</u></u>

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

Year Ended June 30	Annual OPEB Cost (A)	Total Contribution (B)	Percentage of Annual OPEB Cost Contributed (B/(A))	Net OPEB Obligation
2015	\$ 1,071,368	\$ 817,857	76.3%	\$ 2,476,808
2016	1,062,359	648,167	61.0%	2,891,000
2017	1,374,698	729,668	53.1%	3,536,030

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2016 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)
July 1, 2016	\$ 669,018	\$ 14,680,407	\$ 14,011,389	4.6%

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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

**Net OPEB Liability**

The components of the Town’s net OPEB liability related to its OPEB Plan as of June 30, 2017, was as follows:

Total OPEB liability	\$ 15,189,094
Plan fiduciary net position	<u>(672,634)</u>
Town's net OPEB liability	<u>\$ 14,516,460</u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.4%

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The total OPEB liability was determined by an actuarial valuation date as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return, net (includes inflation)	7.50%
Discount rate	3.57%
Healthcare cost trend rate:	
Initial rate	5.90%
Final rate	3.84%

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Blue Collar Table with Scale MP-2017 generational improvements from 2006 for Males and Females

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. As of June 30, 2017, the Town has not adopted an investment policy and has not begun investing the funds that have been accumulated within the trust.

*Discount rate* - The discount rate used to measure the total OPEB liability was 3.57%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB Plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% and the 20 year municipal bond rate of 3.56% was utilized to determine the total OPEB liability.

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2017

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

**Actuarial Methods and Assumptions *(Continued)***

*Sensitivity of the net OPEB asset to changes in the discount rate* - The following presents the Town's net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (2.57%)</b>	<b>Current Discount (3.57%)</b>	<b>1% Increase (4.57%)</b>
Town's net OPEB liability as of June 30, 2017	\$ 16,239,837	\$ 14,516,460	\$ 13,022,375

*Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates* - The following presents the Town's net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
Town's net OPEB liability as of June 30, 2017	\$ 12,488,794	\$ 14,516,460	\$ 17,020,302

**NOTE N - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance, except as disclosed below. During fiscal year 2017 deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

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

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2017. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

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**NOTE N - RISK MANAGEMENT (Continued)**

A summary of claims activity for the years ended June 30, 2017 and 2016 are as follows:

<b>Year Ended June 30</b>	<b>Claims Payable, Beginning of Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>Claims Payable, End of Year</b>
2016	\$ 981,000	\$ 11,696,740	\$ 11,681,940	\$ 995,800
2017	995,800	10,534,958	11,530,758	671,208

The Town is a member of the Connecticut Interlocal Risk Management Agency (“CIRMA”), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities (“CCM”) for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes. The Town is a member of CIRMA’s worker’s compensation pool, a risk sharing pool, which commenced operations on July 1, 1980. The worker’s compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Worker’s Compensation Act. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through member 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.



**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2017**

**NOTE O - FUND BALANCE**

As of June 30, 2017, fund balances have been classified based on the following purposes:

	General Fund	Waste Management Ordinance Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Advances to other funds	\$ 1,965,394	\$ -	\$ -	\$ -	\$ 1,965,394
Inventories	33,442	-	-	14,019	47,461
	<u>1,998,836</u>	<u>-</u>	<u>-</u>	<u>14,019</u>	<u>2,012,855</u>
<b>Restricted for:</b>					
<b>Health and Welfare:</b>					
Charitable programs	-	-	-	87,738	87,738
<b>Education:</b>					
School lunch program	-	-	-	951,196	951,196
Education programs	-	-	-	808	808
<b>Capital purposes:</b>					
Enabling legislation	-	9,129,716	-	-	9,129,716
Unspent bond proceeds	-	-	100,000	238,530	338,530
Grant programs	-	-	-	170,283	170,283
	<u>-</u>	<u>9,129,716</u>	<u>100,000</u>	<u>1,448,555</u>	<u>10,678,271</u>
<b>Committed to:</b>					
Health and welfare	-	-	-	230,575	230,575
Library	-	-	-	2,042,843	2,042,843
Education	-	-	-	38,764	38,764
Capital purposes	-	-	-	1,482,533	1,482,533
Volunteer fire	249,049	-	-	-	249,049
	<u>249,049</u>	<u>-</u>	<u>-</u>	<u>3,794,715</u>	<u>4,043,764</u>
<b>Assigned to:</b>					
Property tax stabilization	-	1,014,413	-	-	1,014,413
Appropriation FY17-18 Budget	1,750,000	-	-	-	1,750,000
Carried in force appropriations	455,027	-	-	-	455,027
Health and welfare	185	-	-	-	185
Gaylordville radio	5,000	-	-	-	5,000
Charter revision	5,000	-	-	-	5,000
Information technology	26,000	-	-	-	26,000
Lanseville engineering	60,000	-	-	-	60,000
Strategic plan	45,000	-	-	-	45,000
Youngsfield phase II	75,000	-	-	-	75,000
Debt service	90,251	-	-	-	90,251
	<u>2,511,463</u>	<u>1,014,413</u>	<u>-</u>	<u>-</u>	<u>3,525,876</u>
Unassigned	17,933,848	-	(303,608)	(648,937)	16,981,303
	<u>\$ 22,693,196</u>	<u>\$ 10,144,129</u>	<u>\$ (203,608)</u>	<u>\$ 4,608,352</u>	<u>\$ 37,242,069</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE P - COMMITMENTS AND CONTINGENCIES**

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

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

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, would not have a material adverse effect on the financial condition of the Town.

**NOTE Q - SUBSEQUENT EVENT**

In August 2017, the Town issued \$3,360,000 of bond anticipation notes. The \$3,360,000 in bond anticipation notes bear an interest rate of 1.75% and mature in August 2018. In July 2017, the Town paid off the \$630,000 of bond anticipation notes outstanding as of June 30, 2017.

**NOTE R - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Effective July 1, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The implementation of GASB Statement No. 74 resulted in changes to the disclosures and required supplementary information relating to the Town's other post-employment benefit plan. The implementation of GASB Statement No. 74 had no impact on the Town's financial position or on the financial position of the Town's other post-employment benefit trust fund. The adoption of the other statements did not have a material effect on the Town's financial statements.

**NOTE S - RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2017

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**NOTE 5 - RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)***

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNAUDITED**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>				
Service cost	\$ 1,405,712	\$ 1,557,262	\$ 1,462,144	\$ 1,148,927
Interest	4,850,343	4,914,704	4,555,324	4,353,434
Differences between expected and actual experience	(1,691,087)	279,655	(328,502)	(327,779)
Changes of assumptions	(728,055)	1,066,294	3,620,085	-
Benefit payments, including refunds	(2,936,720)	(2,984,077)	(2,767,067)	(2,648,260)
Net change in total pension liability	900,193	4,833,838	6,541,984	2,526,322
Total pension liability - beginning	69,030,772	64,196,934	57,654,950	55,128,628
Total pension liability - ending	<u>69,930,965</u>	<u>69,030,772</u>	<u>64,196,934</u>	<u>57,654,950</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	2,746,760	2,327,020	2,466,641	2,198,729
Contributions - members	320,558	317,343	292,426	297,706
Net investment income	4,689,567	1,012,365	2,107,491	6,845,411
Benefit payments, including refunds	(2,936,720)	(2,984,077)	(2,767,067)	(2,648,260)
Administrative expense	(36,090)	(80)	(160)	(21,352)
Net change in plan fiduciary net position	4,784,075	672,571	2,099,331	6,672,234
Plan fiduciary net position - beginning	50,489,096	49,816,525	47,717,194	41,044,960
Plan fiduciary net position - ending	<u>55,273,171</u>	<u>50,489,096</u>	<u>49,816,525</u>	<u>47,717,194</u>
<b>Town's net pension liability</b>	<u>\$ 14,657,794</u>	<u>\$ 18,541,676</u>	<u>\$ 14,380,409</u>	<u>\$ 9,937,756</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	79.04%	73.14%	77.60%	82.76%
Covered employee payroll	\$ 19,145,426	\$ 17,106,901	\$ 17,182,990	\$ 18,361,947
<b>Town's net pension liability as a percentage of covered employee payroll</b>	76.56%	108.39%	83.69%	54.12%

**NOTES TO SCHEDULE:**

The Town began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014.

*Benefit Changes* - None noted

*Assumption Changes* - There were no significant assumption changes that impacted the calculation of the pension liability.

*See accompanying Independent Auditor's Report.*

**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - UNAUDITED**  
**LAST FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,746,760	\$ 2,303,221	\$ 2,450,105	\$ 2,348,968
Contributions in relation to the actuarially determined contribution	<u>2,746,760</u>	<u>2,327,020</u>	<u>2,466,641</u>	<u>2,198,729</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (23,799)</u>	<u>\$ (16,536)</u>	<u>\$ 150,239</u>
Covered employee payroll	\$ 17,182,990	\$ 18,361,947	\$ 18,130,859	\$ 19,064,620
Contributions as a percentage of covered employee payroll	15.99%	12.67%	13.60%	11.53%
Annual money-weighted rate of return, net of investment expense	9.52%	2.01%	4.32%	15.81%

**NOTES TO SCHEDULE:**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67 in fiscal year 2014.

Actuarially determined contribution rates are calculated as of July 1, prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution for fiscal year 2017 was determined using the July 1, 2015 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Level percent, open
Remaining amortization period:	10 years
Asset valuation method:	Market value of assets
Inflation:	3.0%
Investment rate of return:	7.75%
Salary increases, including inflation:	2.50%
Retirement age:	Ranges from 55 to 70

*See accompanying Independent Auditor's Report.*

**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY - UNAUDITED**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**  
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.588%	0.710%	0.710%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	83,828	77,952	72,051
Total	<u>\$ 83,828</u>	<u>\$ 77,952</u>	<u>\$ 72,051</u>
Town's covered payroll	\$ 23,500	\$ 30,766	\$ 27,540
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

**NOTES TO SCHEDULE:**

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2016 is based on a June 30, 2015 measurement date).

*Benefit changes* : There have been no changes in benefit terms that have affected the measurement of the total pension liability.

*Assumption changes*: The following assumptions were changed in connection with the most recent valuation:

- Inflation assumption was reduced from 3.00% to 2.75%.
- Real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
- The annual rate of wage increase assumption was reduced from 0.75% to 0.50%.
- The payroll growth assumption was reduced from 3.75% to 3.25%.
- Various demographic assumption changes utilizing the RPH-2014 mortality tables.

**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY (UNAUDITED)**  
**OTHER POST-EMPLOYMENT BENEFITS PROGRAM**  
**JUNE 30, 2017**

	<b>2017</b>
<b>Total OPEB liability</b>	
Service cost	\$ 632,872
Interest	452,370
Changes in benefit terms	-
Differences between expected and actual experience	(4,203,534)
Changes of assumptions	3,297,846
Benefit payments, including refunds	(729,668)
Net change in total OPEB liability	(550,114)
Total OPEB liability - beginning	15,739,208
Total OPEB liability - ending	15,189,094
 <b>Plan fiduciary net position</b>	
Contributions - employer (outside of trust)	729,668
Contributions - members	-
Net investment income	3,616
Benefit payments, including refunds	(729,668)
Administrative expense	-
Net change in plan fiduciary net position	3,616
Plan fiduciary net position - beginning	669,018
Plan fiduciary net position - ending	672,634
 <b>Town's net OPEB liability</b>	 <b>\$ 14,516,460</b>
 <b>Plan fiduciary net position as a percentage of total OPEB liability</b>	 <b>4.43%</b>
 <b>Covered employee payroll</b>	 <b>\$ 26,171,204</b>
 <b>Town's net OPEB liability as a percentage of covered employee payroll</b>	 <b>55.47%</b>

**NOTES TO SCHEDULE:**

The Town began to report the schedule of changes in net OPEB liability when it implemented GASB Statement No. 74 in fiscal year 2017.

*Benefit changes* : There have been no changes in benefit terms that have affected the measurement of the total OPEB liability.

*Assumption Changes* : The following represents significant assumption changes from the prior valuation.

- A decrease in the discount rate from 7.25% to 3.57%.
- A general change in the mortality table from the RP-2000 to the RP-2014.

*See accompanying Independent Auditor's Report.*



**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)**  
**OTHER POST-EMPLOYMENT BENEFITS PROGRAM**  
**JUNE 30, 2017**

	<b>2017</b>
Actuarially determined contribution	\$ 1,394,802
Contributions in relation to the actuarially determined contribution:	
Contributions to trust	-
Contributions by Internal Service Fund	729,668
	729,668
Contribution deficiency	\$ 665,134
Covered employee payroll	\$ 26,171,204
Contributions as a percentage of covered employee payroll	2.79%
Annual money-weighted rate of return, net of investment expense	0.54%

**NOTES TO SCHEDULE:**

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 74 in fiscal year 2017.

Actuarially determined contribution rates are calculated as of July 1, one or two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Amortization period	30 years
Asset valuation method	5 year smoothed market
Investment rate of return	7.50%
Discount rate	2.93%
Healthcare cost trend rate	5.9% initial, to an ultimate rate of 3.84%

*See accompanying Independent Auditor's Report.*

**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULES OF FUNDING PROGRESS - UNAUDITED**  
**LAST FIVE ACTUARIAL VALUATIONS**

<b>Other Post-Employment Benefits Plan</b>					
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	
July 1, 2007	\$ -	\$ 11,021,000	\$ 11,021,000	0.0%	
July 1, 2008	-	11,144,000	11,144,000	0.0%	
July 1, 2010	-	12,899,000	12,899,000	0.0%	
July 1, 2012	235,000	11,987,076	11,752,076	2.0%	
July 1, 2014	230,924	11,099,078	10,868,154	2.1%	
July 1, 2016	669,018	14,680,407	14,011,389	4.6%	

*See accompanying Independent Auditor's Report.*