



April 23, 2014

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: CITY OF MILFORD, CONNECTICUT
\$17,495,000 General Obligation Bond Anticipation Notes
(Book-Entry-Only)**

**Par Amount: \$17,495,000
Dated: May 12, 2014
Due: November 10, 2014
Date of Sale: Wednesday, April 30, 2014
Time of Sale: 11:00 A.M. (Eastern Time)**

As per the Notice of Sale, proposals may be submitted electronically via *PARITY* or by telephone on Wednesday, April 30, 2014. Please note that a representative of Phoenix Advisors, LLC will be available until 11:00 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid electronically via *PARITY* or by telephone at **(203) 783-3201 no later than 11:00 A.M. (Eastern Time) on Wednesday, April 30, 2014.**

An Official Statement has not been prepared by or on behalf of the Issuer for this sale. The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission.

The General Purpose Financial Statements have been excerpted from the Comprehensive Annual Financial Report of the City of Milford, Connecticut as of June 30, 2013 and are included in this package. Copies of the complete reports are available upon request from Phoenix Advisors, LLC, Attention: Matthew Spoerndle, Managing Director, 53 River Street, Suite 1, Milford, Connecticut 06460, telephone (203) 878-4945.

Thank you.

PHOENIX ADVISORS, LLC

Telephone Sale Term Sheet

\$17,495,000

General Obligation Bond Anticipation Notes City of Milford, Connecticut

Date of Sale:	Wednesday, April 30, 2014, 11:00 A.M., (Eastern Time).
Telephone Number:	(203) 783-3201.
Issuer:	City of Milford, Connecticut (the "City").
Issue:	\$17,495,000 General Obligation Bond Anticipation Notes.
Dated Date:	May 12, 2014.
Principal and Interest Due:	At maturity on November 10, 2014.
Purpose:	The Notes are being issued to finance sewer, school and various public improvement projects.
Denominations:	\$100,000.
Redemption:	The Notes are not subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the City and the City 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 City's current outstanding bond ratings are as follows: "Aa1" from Moody's Investors Service, "AA+" from Standard & Poor's Corporation and "AA+" from Fitch Ratings.
Basis of Award:	Lowest Net Interest Cost (NIC), as of dated date.
Tax Exemption:	Tax-Exempt (See Attached "Legal Opinion of Bond Counsel").
Bank Qualification:	The Notes shall NOT be designated by the Issuer 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.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association will act as Registrar, Transfer Agent Certifying Agent, and Paying Agent.
Financial Advisor:	Phoenix Advisors, LLC, of 53 River Street, Milford, Connecticut 06460 will act as Financial Advisor. Telephone (203) 878-4945.
Legal Opinion:	Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut.
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 May 12, 2014. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Notes should be addressed to Peter Erodici Jr., Director of Finance, City of Milford, Telephone: (203) 783-3221 or Matthew A. Spoerndle, Managing Director, Phoenix Advisors, LLC, Telephone: (203) 878-4945.

**AMENDED
NOTICE OF SALE
(April 28, 2014)**

**\$17,495,000
CITY OF MILFORD, CONNECTICUT
GENERAL OBLIGATION BOND ANTICIPATION NOTES
BOOK-ENTRY ONLY**

TELEPHONE BIDS and ELECTRONIC BIDS via **PARITY**[®] (as described herein) will be received by the **CITY OF MILFORD, CONNECTICUT** (the “City”) at the Office of the Mayor, City Hall, 110 River Street, Milford, Connecticut 06460, until **11:00 A.M. (Eastern Time), Wednesday,**

April 30, 2014

for the purchase of \$17,495,000 City of Milford, Connecticut General Obligation Bond Anticipation Notes (the “Notes”). Telephone bids will be received by an authorized agent of Phoenix Advisors, LLC, the City’s financial advisor (See “Telephone Bidding Procedures”). Electronic bids must be submitted via PARITY[®] (See “Electronic Bidding Procedures”).

The Notes

The Notes will be dated May 12, 2014 and will mature and be payable to the registered owner on November 10, 2014. The Notes will bear interest (which interest shall be computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

Registration

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, New York, New York (“DTC”), 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 whole multiples thereof, plus any odd amounts, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the City or its agent in same-day funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Financial institutions desiring to submit a bid to purchase the Notes for the purpose of investment (“Direct Placement Bidders”) may submit bids as set forth herein. In the event a Direct Placement Bidder is awarded the Notes, the Notes will be issued without CUSIP identification. A Direct Placement Bidder, if awarded the Notes, must execute a letter addressed to the City acknowledging, among other things, that (1) the purchaser has knowledge and experience in financial and business affairs and that it is capable of

evaluating the merits and risks of the purchase of the Note; (2) the purchaser is acquiring the Bond as a vehicle for making a commercial loan and without a present view to the distribution thereof (subject, nevertheless, to any requirement of law that the disposition of its property at all times be under its control) within the meaning of the Federal securities laws; (3) the purchaser is acquiring the Note solely for its own account and no other undisclosed person now has any direct or indirect ownership or interest therein.

Nature of Obligation

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

Bank Qualification

The Notes **SHALL NOT** be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY**[®] by 11:00 A.M. (Eastern Time) on Wednesday, April 30, 2014. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of **PARITY**[®] shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. By submitting a bid for the Notes via **PARITY**[®], the bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the City will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice of Sale. **The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY[®], or the inaccuracies of any information, including bid information or worksheets supplied by PARITY[®], the use of PARITY[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

If any provisions of this Notice of Sale shall conflict with information provided by **PARITY**[®] as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY**[®], including any fee charged, may be obtained from **PARITY**[®], 1359 Broadway, 36th Street, 2nd Floor, New York, NY 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: www.parity@i-deal.com).

For purposes of the telephone bidding process and the electronic bidding process, the time as maintained by **PARITY**[®] shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest cost to the City, as described under "Bid

Specifications/Basis of Award” below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Disclaimer. Each **PARITY**[®] prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY**[®] for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor **PARITY**[®] shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the City nor **PARITY**[®] shall be responsible for a bidder’s failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**[®]. The City is using **PARITY**[®] as a communication mechanism, and not as the City’s agent, to conduct the electronic bidding for the Notes. The City is not bound by any advice and determination of **PARITY**[®] to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**[®] are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone **PARITY**[®] at (212) 849-5021.

Telephone Bidding Procedures

Telephone bids will be received on behalf of the City by a representative of Phoenix Advisors LLC at (203) 783-3201. All telephone bids must be made to (203) 783-3201 and be completed by 11:00 A.M. (Eastern Time) on Wednesday, April 30, 2014.

Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the City or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the City by the time required. A bid received after the time specified, as determined in the City’s sole discretion, will not be reviewed or honored by the City.

Bid Specifications/Basis of Award

A proposal may be for all or any part of the Notes but any proposal for a part must be for \$100,000, or a whole multiple thereof, except one such proposal for a part may include the odd \$95,000, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid.

Unless all bids are rejected, the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the City, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the City reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the City with respect to the Notes awarded is the same as that contained in the bidder’s proposal with respect to the entire amount bid, carried to six decimal places. The purchase price must be paid in Federal Funds.

The City reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The City further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The City will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

Closing Documents and Legal Opinion

The Notes will be certified by U. S. Bank National Association, of Hartford, Connecticut. The legality of the Notes will be passed upon by Pullman & Comley LLC, Bond Counsel, Bridgeport and Hartford, Connecticut, and the winning bidder(s) will be furnished with their opinion without charge. Each winning bidder(s) will also be furnished with a signature and no litigation certificate and a receipt of payment satisfactory in form to Bond Counsel.

The legal opinion will further state that, under existing law, (i) interest on the Notes is not included in gross income for federal income tax purposes, (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax, (iii) 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 (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax.

In rendering the legal opinion, Pullman & Comley LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the City for the benefit of the owners of the Notes, and further, will assume compliance by the City with the covenants and procedures set forth in such Tax Regulatory Agreement.

Settlement of the Notes

It shall be the responsibility of the winning bidder or bidders to certify to the City before the delivery of the Notes a certificate as to the issue price of the Notes within the meaning of the Code.

The Notes will be available for delivery on or about May 12, 2014. The deposit of the Notes with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder or bidders to obtain CUSIP numbers for the Notes prior to delivery, and the City will not be responsible for any delay occasioned by the failure of the winning bidder or bidders to obtain such numbers and to supply them to the City in a timely manner. The City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

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 City will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

Additional Information

More information concerning the issue and the City may be obtained from Matthew Spoerndle, Phoenix Advisors, LLC (Financial Advisor), 53 River St., Suite 3, Milford, Connecticut 06460; telephone 203-878-4945.

BENJAMIN G. BLAKE
Mayor

LIBERA C. NOSAL
City Treasurer

PETER A. ERODICI, JR.
Director of Finance

April 28, 2014

850 Main Street
P.O. Box 7006
Bridgeport, CT 06601-7006
p 203-330-2000
f 203-576-8888

May __, 2014

City of Milford
City Hall
110 River Street
Milford, Connecticut 06460

We have acted as bond counsel to the City of Milford, Connecticut (the “City”) in connection with the sale and issuance of the City’s \$17,495,000 General Obligation Bond Anticipation Notes, dated May 12, 2014 (the “Notes”). In such capacity, we have examined a record of proceedings of the City authorizing the Notes, a Tax Compliance Agreement of the City, dated May 12, 2014 (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank National Association, they will be valid and legally binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the City and was duly authorized by the City.

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 generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excluded from gross income under Section 103 of the Code. In the Agreement, the City has made covenants and representations designed to assure compliance with such requirements of the Code. The City has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and

reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the City with the covenants set forth in the Agreement as to such tax matters.

In our opinion, under existing law, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the Notes.

We are further of the opinion 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 is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We have not undertaken to advise whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes is not includable in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

CITY OF MILFORD, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Comprehensive Annual Financial Report
of
the City of Milford, Connecticut
for the fiscal year ended June 30, 2013



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Members of the Board of Aldermen
City of 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 City of Milford, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Milford, Connecticut'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.

Auditors' 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 of 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 auditors' 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 auditors consider 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 City of Milford, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 49 through 54 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, which 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 City of Milford, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 December 14, 2013 on our consideration of the City of Milford, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Milford, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 14, 2013

CITY OF MILFORD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

This discussion and analysis of the City of Milford, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2013. This is the eleventh year of reporting in accordance with Statement No. 34 of the Governmental Accounting Standards Board. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

Financial Highlights

- The City's net position decreased overall as a result of this year's operations. Net position of our business-type activities increased by \$30 thousand and net position of our governmental activities decreased by \$4.8 million.
- During the year, the City had expenses that were \$4.8 million more than the \$224.9 million generated in tax and other revenues for governmental programs.
- Total cost of all of the City's programs was \$229.7 million with no new programs added this year.
- The General Fund reported a total fund balance this year of \$23.9 million and unassigned fund balance of \$14.95 million.
- The resources available for appropriation were \$4.1 million more than budgeted for the General Fund. Expenditures were \$2.3 million less than final appropriations.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the City as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position, along with the changes in net position. The City's net position, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public services, health and welfare, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Golf Course and Harbor Management Fund are reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City Board of Aldermen establishes many other funds to help control and manage financial activities for particular purposes (like the Capital Project Funds) or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State Department of Education). The City's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.

- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Health, Workers' Compensation, and Property and Casualty Internal Service Funds.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension and other postemployment benefit plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The City's combined net position decreased from \$113 million to \$109 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 87,840	\$ 89,724	\$ 719	\$ 649	\$ 88,559	\$ 90,373
Capital assets	329,447	312,846	3,163	3,200	332,610	316,046
Total assets	<u>417,287</u>	<u>402,570</u>	<u>3,882</u>	<u>3,849</u>	<u>421,169</u>	<u>406,419</u>
Long-term debt outstanding	273,890	242,441			273,890	242,441
Other liabilities	38,644	50,611	11	7	38,655	50,618
Total liabilities	<u>312,534</u>	<u>293,052</u>	<u>11</u>	<u>7</u>	<u>312,545</u>	<u>293,059</u>
Net position:						
Net investments in capital assets	153,422	145,526	3,163	3,200	156,585	148,726
Restricted	255	252			255	252
Unrestricted	<u>(48,924)</u>	<u>(36,260)</u>	<u>708</u>	<u>642</u>	<u>(48,216)</u>	<u>(35,618)</u>
Total Net Position	<u>\$ 104,753</u>	<u>\$ 109,518</u>	<u>\$ 3,871</u>	<u>\$ 3,842</u>	<u>\$ 108,624</u>	<u>\$ 113,360</u>

Net position of the City's governmental activities decreased by 4.5% (\$104.8 million compared to \$109.5 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased to a deficit of \$47.5 million at the end of this year.

There was only a slight change in the net position of business-type activities from 2012 to 2013.

Table 2
CHANGES IN NET POSITION
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,313	\$ 7,250	\$ 332	\$ 341	\$ 8,645	\$ 7,591
Operating grants and contributions	29,867	29,730			29,867	29,730
Capital grants and contributions	1,753	3,426			1,753	3,426
General revenues:						
Property taxes	170,870	161,252			170,870	161,252
Grants and contributions not restricted to specific purposes	11,327	14,103			11,327	14,103
Unrestricted investment earnings	1,735	1,600		2	1,735	1,602
Other general revenues	1,019	1,301			1,019	1,301
Total revenues	<u>224,884</u>	<u>218,662</u>	<u>332</u>	<u>343</u>	<u>225,216</u>	<u>219,005</u>
Expenses:						
General government	8,068	11,142			8,068	11,142
Administration	4,018	4,147			4,018	4,147
Public safety	41,506	38,471			41,506	38,471
Public services	25,314	27,673			25,314	27,673
Education	138,265	132,771			138,265	132,771
Health and welfare	5,728	5,929			5,728	5,929
Grants to agencies	4,051	3,889			4,051	3,889
Interest on long-term debt	2,703	2,085			2,703	2,085
Milford Golf Course			69	88	69	88
Harbor management			230	287	230	287
Total program expenses	<u>229,653</u>	<u>226,107</u>	<u>299</u>	<u>375</u>	<u>229,952</u>	<u>226,482</u>
Transfers in (out)	<u>4</u>	<u>17</u>	<u>(4)</u>	<u>(17)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (4,765)</u>	<u>\$ (7,428)</u>	<u>\$ 29</u>	<u>\$ (49)</u>	<u>\$ (4,736)</u>	<u>\$ (7,477)</u>

The City's total revenues were \$225.9 million. The total cost of all programs and services was \$229.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The City's revenues increased by \$6.2 million from 2012. Most of the increase is attributable to property tax revenue including \$2.5 million in property tax revenue from the sale of delinquent tax liens.

Table 3 presents the cost of each of the City's three largest programs - public safety, public services, and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Public safety	\$ 41,506	\$ 38,471	\$ 38,347	\$ 35,853
Public services	25,314	27,673	23,109	25,543
Education	138,265	132,771	107,126	99,534
All others	24,568	27,192	21,138	24,771
Totals	\$ <u>229,653</u>	\$ <u>226,107</u>	\$ <u>189,720</u>	\$ <u>185,701</u>

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) decreased by 3.2% (\$332 thousand in 2013 compared to \$343 thousand in 2012) and expenses decreased by 20% (\$299 thousand in 2013 versus \$375 thousand in 2012).

City Funds Financial Analysis

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$25.0 million, which is an increase of \$10.3 million over last year's fund balance of \$14.7 million. Included in this year's total change in fund balance, is an increase of \$2.8 million in the general fund, and increases of \$4.9 million in the Capital Non-recurring Fund and \$6 million in the Sanitary Sewer Fund. The fund balance decreased by \$4.2 million in the School Facilities Fund due to expenditures incurred and paid prior to the receipt of school grant revenue and the issuance of bonds which is anticipated. The primary reasons for the increases in fund balances for the first three funds aforementioned was the increase in revenues; and expenditures lower than budget in the General Fund. In addition, the issuance of bonds also contributed to the positive change in fund balance for the capital Non-recurring and sanitary sewer funds. Moreover, the primary reasons for the General Fund's increase mirrors the governmental activities analysis highlighted in Exhibit IV.

Proprietary Funds

The Internal Service Funds' net position increased \$1.2 million primarily due to a reduction in claims expense. The Enterprise Funds' net position increased from last year by \$29 thousand.

General Fund Budgetary Highlights

- General Property Taxes and Assessments - property tax and assessment revenue was greater than budgeted by \$3 million due to a higher collection rate than was used in the budget as well as the sale of delinquent tax liens.
- State aid revenue was greater than budgeted by \$43 thousand. This was due to both increases and decreases in various grants. The Manufacturer's Machinery and Equipment Grant was under budget by \$44 thousand. The Municipal Video Corporate Trust Account was \$268 thousand, while no amount was budgeted for. The remaining change was spread among several grants.
- Investment Income - revenues from the investment of idle funds were more than budgeted by \$3thousand due to slightly higher interest rates and more money on deposit.
- Other Revenue was \$285 thousand greater than budget due to an increase in miscellaneous other revenues.
- Licenses, Permits and Other Charges were \$285 thousand above budget mainly due to higher than anticipated conveyance taxes and recording fees. These income categories are directly related to the economy and can fluctuate due to the economy.
- Department Expenditures - No departments overspent their budget.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the City's governmental activities had \$329.4 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$16.6 million over last year.

Table 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Millions)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 36.5	\$ 36.5	\$ 1.7	\$ 1.7	\$ 38.2	\$ 38.2
Construction in progress	143.1	140.1			143.1	140.1
Buildings and improvements	87.6	78.3	1.3	1.3	88.9	79.6
Machinery and equipment	8.7	7.8	0.2	0.2	8.9	8.0
Infrastructure	53.5	50.1			53.5	50.1
Totals	<u>\$ 329.4</u>	<u>\$ 312.8</u>	<u>\$ 3.2</u>	<u>\$ 3.2</u>	<u>\$ 332.6</u>	<u>\$ 316.0</u>

This year's major additions included (in thousands):

Police Equipment and Vehicles	484
Public Works Equipment and Vehicles	800
Fire Department Equipment and Vehicles	704
East Side Fire Station CIP	709
Communication System - CIP	2,656
Trumbull Avenue Revetment - CIP	1,460
Senior Center Drainage	820
Eisenhower Park Pedestrian Bridge	272
School Additions and Renovations- CIP	7,841
School Additions and Renovations	10,568
Sewer CIP	5,432
Sewer Installations	4,030
Total:	<u>\$ 35,776</u>

The City's fiscal-year 2013-2014 capital plan has \$15.3 million of capital projects planned. School building renovations are estimated at \$5.5 million, sewer projects at \$4.3 million, and public service projects at \$5.5 million. Of the total estimated \$15.3 million, it is expected to finance \$11.8 million with bonds and \$3.7 million with grants. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2013, the City had \$166.6 million in bonds and notes outstanding versus \$167.9 million last year – a decrease of 1% - as shown in Table 5. Additional detail on the City’s long-term debt can be found in Note 7.

Table 5
OUTSTANDING DEBT
(In Thousands)

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
General obligation bonds (backed by the City)	\$ 111,570	\$ 96,615
Bond anticipation notes (backed by the City)	17,555	31,816
Long-term note payable	<u>37,460</u>	<u>39,448</u>
Totals	<u>\$ 166,585</u>	<u>\$ 167,879</u>

Economic Factors and Next Year’s Budgets and Rates

The City’s elected and appointed officials considered many factors when setting the fiscal year 2014 budget tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. The City’s unemployment rate has decreased from 8.2% to 7.1%. In comparison, the figures for the State of Connecticut have decreased from 9.2% to 8.1%.

These indicators were taken into account when adopting the General Fund budget for 2013-2014. The adopted budget for FY 2014 is \$194 million, an increase of 4.4% over the final 2013 budget of \$185.8 million. No new programs or initiatives were added to the 2014 budget, except for the addition of four school resource officers in the Police Department budget. State grants were assumed to fund only 7.5% of the 2014 budget as compared to 8.3% of the 2013 budget.

If estimates are realized, the City’s June 30, 2014 budgetary General Fund balance is expected to be \$5 million lower than the June 30, 2013 budgetary General Fund balance because of the use of that amount to balance the budget. As for the City’s business-type activities, we expect that the 2013-2014 results will improve due to more rounds of golf, higher operating fee revenue, and an increase in bookings at the marina.

Contacting the City’s Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of Milford, 70 West River Street, Milford, Connecticut 06460.

Basic Financial Statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 72,262	\$ 701	\$ 72,963
Investments	117		117
Receivables, net	14,439	23	14,462
Inventory	45		45
Prepaid items and other assets	813		813
Net pension asset	22		22
Bond issuance cost	142		142
Capital assets:			
Capital assets not being depreciated	179,630	1,654	181,284
Capital assets being depreciated, net	149,817	1,509	151,326
Total assets	<u>417,287</u>	<u>3,887</u>	<u>421,174</u>
Liabilities:			
Accounts and other payables	18,699	11	18,710
Unearned revenue	1,902		1,902
Due to other governments	493		493
Internal balances	(5)	5	-
Bond anticipation notes payable	17,555		17,555
Noncurrent liabilities:			
Due within one year	11,203		11,203
Due in more than one year	262,687		262,687
Total liabilities	<u>312,534</u>	<u>16</u>	<u>312,550</u>
Net Position:			
Net investments in capital assets	153,422	3,163	156,585
Restricted for:			
Trust purposes:			
Expendable	255		255
Unrestricted	(48,924)	708	(48,216)
Total Net Position	<u>\$ 104,753</u>	<u>\$ 3,871</u>	<u>\$ 108,624</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,068	\$ 1,562	\$ 175	\$	\$ (6,331)	\$	\$ (6,331)
Administration	4,018				(4,018)		(4,018)
Public safety	41,506	2,932	154	73	(38,347)		(38,347)
Public services	25,314	1,639	566		(23,109)		(23,109)
Education	138,265	1,702	27,757	1,680	(107,126)		(107,126)
Health and welfare	5,728	478	1,215		(4,035)		(4,035)
Grants to agencies	4,051				(4,051)		(4,051)
Interest on long-term debt	2,703				(2,703)		(2,703)
Total governmental activities	<u>229,653</u>	<u>8,313</u>	<u>29,867</u>	<u>1,753</u>	<u>(189,720)</u>	<u>-</u>	<u>(189,720)</u>
Business-type activities:							
Milford Golf Course	69	80				11	11
Harbor Management	230	252				22	22
Total business-type activities	<u>299</u>	<u>332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
Total	\$ <u>229,952</u>	\$ <u>8,645</u>	\$ <u>29,867</u>	\$ <u>1,753</u>	<u>(189,720)</u>	<u>33</u>	<u>(189,687)</u>
General revenues:							
Property taxes					170,870		170,870
Grants and contributions not restricted to specific programs					11,327		11,327
Unrestricted investment earnings					1,735		1,735
Gain on sale of asset					93		93
Other general revenues					926		926
Transfers					4	(4)	-
Total general revenues and transfers					<u>184,955</u>	<u>(4)</u>	<u>184,951</u>
Change in net position					(4,765)	29	(4,736)
Net position, July 1, 2012					<u>109,518</u>	<u>3,842</u>	<u>113,360</u>
Net position, June 30, 2013					\$ <u>104,753</u>	\$ <u>3,871</u>	\$ <u>108,624</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013
(In Thousands)

	<u>General</u>	<u>Sewer Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Sanitary Sewer Fund</u>	<u>School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 34,433	\$ 4,723	\$ 4,923	\$ 640	\$ 3,295	\$ 11,668	\$ 59,682
Investments	117						117
Receivables, net	12,538	169	571			602	13,880
Due from other funds	2,937	123	77			4	3,141
Inventories						45	45
Prepaid items and other assets	774		39				813
Total Assets	<u>\$ 50,799</u>	<u>\$ 5,015</u>	<u>\$ 5,610</u>	<u>\$ 640</u>	<u>\$ 3,295</u>	<u>\$ 12,319</u>	<u>\$ 77,678</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$ 9,036	\$ 253	\$ 667	\$ 404	\$ 1,272	\$ 1,298	\$ 12,930
Other liabilities	3,683		221	542	287		4,733
Due to other governments	475		18				493
Due to other funds	255	249	815	864	1,042	38	3,263
Deferred revenue	13,476	221				8	13,705
Bond anticipation notes payable			3,440	4,955	8,971	189	17,555
Total liabilities	<u>26,925</u>	<u>723</u>	<u>5,161</u>	<u>6,765</u>	<u>11,572</u>	<u>1,533</u>	<u>52,679</u>
Fund balances:							
Nonspendable	21		39			45	105
Restricted						3,802	3,802
Committed	1,033	245	2,050	5,428	14,122	7,018	29,896
Assigned	7,875	4,047				118	12,040
Unassigned	14,945		(1,640)	(11,553)	(22,399)	(197)	(20,844)
Total fund balances	<u>23,874</u>	<u>4,292</u>	<u>449</u>	<u>(6,125)</u>	<u>(8,277)</u>	<u>10,786</u>	<u>24,999</u>
Total Liabilities and Fund Balances	<u>\$ 50,799</u>	<u>\$ 5,015</u>	<u>\$ 5,610</u>	<u>\$ 640</u>	<u>\$ 3,295</u>	<u>\$ 12,319</u>	<u>\$ 77,678</u>

(Continued on next page)

CITY OF MILFORD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds	\$	24,999
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	463,854
Less accumulated depreciation		<u>(134,407)</u>
Net capital assets		329,447
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Property tax receivables greater than 60 days		22
Interest receivable on property taxes		5,969
Assessments receivable		4,514
Interest receivable on assessments		300
Receivable from the state for school construction projects		1,020
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.		
		8,846
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable		(149,030)
Bond issuance costs		142
Interest payable on bonds and notes		(626)
Compensated absences		(17,720)
Net OPEB obligation		(102,548)
Bond premium		(1,496)
Deferred charges on refunding		<u>914</u>
Net Position of Governmental Activities (Exhibit I)	\$	<u><u>104,753</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	<u>General</u>	<u>Sewer Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Sanitary Sewer Fund</u>	<u>School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
Property taxes and assessments	\$ 164,236	\$ 7,472	\$	\$	\$	\$	\$ 171,708
Fines, forfeitures, penalties and interest	1,632						1,632
Intergovernmental	26,789		1,514		1,680	7,536	37,519
Charges for services	2,382	81	857	22		3,968	7,310
Investment income	64	81	1			3	149
Other	5,854	622	4			1,135	7,615
Total revenues	<u>200,957</u>	<u>8,256</u>	<u>2,376</u>	<u>22</u>	<u>1,680</u>	<u>12,642</u>	<u>225,933</u>
Expenditures:							
Current:							
General government	3,894					933	4,827
Administration	2,492						2,492
Public safety	23,142					1,987	25,129
Public services	11,527					708	12,235
Education	119,070					7,057	126,127
Health and welfare	1,576					2,111	3,687
General charges	19,324						19,324
Grants to agencies	2,640						2,640
Capital outlay		7,628	10,238	5,155	7,893		30,914
Debt service	11,939						11,939
Total expenditures	<u>195,604</u>	<u>7,628</u>	<u>10,238</u>	<u>5,155</u>	<u>7,893</u>	<u>12,796</u>	<u>239,314</u>
Excess (deficiency) of revenues over expenditures	<u>5,353</u>	<u>628</u>	<u>(7,862)</u>	<u>(5,133)</u>	<u>(6,213)</u>	<u>(154)</u>	<u>(13,381)</u>
Other financing sources (uses):							
Issuance of bonds and notes			10,300	11,085	2,005	15	23,405
Premium on refunding bonds	1,566						1,566
Issuance of refunding bonds	14,045						14,045
Payment to refunded bond escrow agent	(15,469)						(15,469)
Sale of capital assets	116						116
Transfers in	21		2,447			500	2,968
Transfers out	(2,827)	(137)					(2,964)
Total other financing sources (uses)	<u>(2,548)</u>	<u>(137)</u>	<u>12,747</u>	<u>11,085</u>	<u>2,005</u>	<u>515</u>	<u>23,667</u>
Net change in fund balances	2,805	491	4,885	5,952	(4,208)	361	10,286
Fund balances, July 1, 2012	<u>21,069</u>	<u>3,801</u>	<u>(4,436)</u>	<u>(12,077)</u>	<u>(4,069)</u>	<u>10,425</u>	<u>14,713</u>
Fund Balances, June 30, 2013	<u>\$ 23,874</u>	<u>\$ 4,292</u>	<u>\$ 449</u>	<u>\$ (6,125)</u>	<u>\$ (8,277)</u>	<u>\$ 10,786</u>	<u>\$ 24,999</u>

(Continued on next page)

CITY OF MILFORD, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 10,286
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	20,853
Depreciation expense	(4,228)
Loss on disposal of asset	(23)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

School building grant receipts	(320)
Property tax receivable - accrual basis change	(774)
Property tax interest and lien revenue - accrual basis change	64
Sewer assessment receivable and interest - accrual basis change	(11)
Net pension asset	(1)

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

Bond and note principal payments	9,475
Payments to bond refunding agent	15,469
Issuance of bonds and notes	(23,390)
Refunding bonds issued	(14,045)
Bond issuance costs	142
Premium on bonds refunded	(1,566)

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

Compensated absences	562
Accrued interest	(329)
Amortization of deferred charge on refunding	(180)
Net OPEB expense	(17,992)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

1,243

Change in Net Position of Governmental Activities (Exhibit II)

\$ <u>(4,765)</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2013

(In Thousands)

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Milford Golf Course</u>	<u>Harbor Management</u>	<u>Total</u>	<u>Internal Service</u>
Assets:				
Current:				
Cash and cash equivalents	\$ 301	\$ 400	\$ 701	\$ 12,580
Receivables, net	23		23	559
Total current assets	<u>324</u>	<u>400</u>	<u>724</u>	<u>13,266</u>
Capital assets, net	<u>1,811</u>	<u>1,352</u>	<u>3,163</u>	
Total assets	<u>2,135</u>	<u>1,752</u>	<u>3,887</u>	<u>13,266</u>
Liabilities:				
Current:				
Accounts payable and accrued liabilities		11	11	410
Due to other funds		5	5	
Total current liabilities	<u>-</u>	<u>16</u>	<u>16</u>	<u>410</u>
Noncurrent:				
Risk management claims			-	4,010
Total liabilities	<u>-</u>	<u>16</u>	<u>16</u>	<u>4,420</u>
Net Position:				
Invested in capital assets	<u>1,811</u>	<u>1,352</u>	<u>3,163</u>	
Unrestricted	<u>324</u>	<u>384</u>	<u>708</u>	<u>8,846</u>
Total Net Position	<u>\$ 2,135</u>	<u>\$ 1,736</u>	<u>\$ 3,871</u>	<u>\$ 8,846</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDSFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	Business-Type Activities			Governmental
	Milford Golf Course	Harbor Management	Total	Internal Service
Operating revenues:				
Employer contributions	\$	\$	\$ -	\$ 32,210
Charges for services	80	252	332	5,412
Other			-	459
Total operating revenues	<u>80</u>	<u>252</u>	<u>332</u>	<u>38,081</u>
Operating expenses:				
Health and welfare	53	209	262	
Depreciation	16	21	37	
Insurance premiums and claims expense			-	36,839
Total operating expenses	<u>69</u>	<u>230</u>	<u>299</u>	<u>36,839</u>
Operating income	11	22	33	1,242
Nonoperating revenue:				
Interest income			-	1
Transfers out		(4)	(4)	
Change in net position	11	18	29	1,243
Total net position, beginning of year	<u>2,124</u>	<u>1,718</u>	<u>3,842</u>	<u>7,603</u>
Total Net Position, End of Year	<u>\$ 2,135</u>	<u>\$ 1,736</u>	<u>\$ 3,871</u>	<u>\$ 8,846</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	Business-Type Activities			Governmental
	Milford Golf Course	Harbor Management	Total	Internal Service
Cash flows from operating activities:				
Cash received from contributions and charges for services	\$ 80	\$ 252	\$ 332	\$ 38,272
Cash paid to employees		(201)	(201)	
Cash paid to vendors	(53)		(53)	
Cash payments for claims paid			-	(37,019)
Net cash provided by operating activities	<u>27</u>	<u>51</u>	<u>78</u>	<u>1,253</u>
Cash flows to/from noncapital financing:				
Transfers to/from other funds		(4)	(4)	
Cash flows from investing activities:				
Interest and dividends received			-	1
Net increase in cash and cash equivalents	27	47	74	1,254
Cash and cash equivalents at beginning of year	<u>274</u>	<u>353</u>	<u>627</u>	<u>11,326</u>
Cash and Cash Equivalents at End of Year	<u>\$ 301</u>	<u>\$ 400</u>	<u>\$ 701</u>	<u>\$ 12,580</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 11	\$ 22	\$ 33	\$ 1,242
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	16	21	37	
(Increase) decrease in due from other funds		4	4	92
(Increase) decrease in accounts receivable			-	99
Increase (decrease) in accounts payable and accrued liabilities		4	4	(180)
Net Cash Provided by Operating Activities	<u>\$ 27</u>	<u>\$ 51</u>	<u>\$ 78</u>	<u>\$ 1,253</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013

(In Thousands)

	<u>Pension Trust Funds</u>	<u>City OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 20,421	\$ 35	\$ 1,366
Investments:			
Certificate of deposits			127
Corporate bonds	56,595		
U.S. government obligations	13,304		
Marketable equity securities	187,898	136	
Asset backed securities	10,985		
Alternative investments	37,526		
Mutual funds	825	2,823	
Total investments	<u>307,133</u>	<u>2,959</u>	<u>127</u>
Receivables	59		
Total assets	<u>327,613</u>	<u>2,994</u>	<u>\$ 1,493</u>
Liabilities:			
Accounts and other payables	6		\$
Due to employees and students			1,493
Total liabilities	<u>6</u>		<u>\$ 1,493</u>
Net Position:			
Held in Trust for Retirement Benefits	<u>\$ 327,607</u>	<u>\$ 2,994</u>	

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	Pension Trust Funds	City OPEB Trust Fund
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Plan members	\$ 2,162	\$
Employer-current year		6,425
Employer-additional	324	500
Total contributions	<u>2,486</u>	<u>6,925</u>
Miscellaneous	<u>25</u>	<u>1</u>
Investment income:		
Net (depreciation) appreciation in fair value of investments	(1,457)	77
Interest and dividends	8,384	58
Net gain on sale of investments	14,536	133
	<u>21,463</u>	<u>268</u>
Less investment expense	<u>1,229</u>	<u>8</u>
Net investment gain	<u>20,234</u>	<u>260</u>
Total additions	<u>22,745</u>	<u>7,186</u>
Deductions:		
Benefit payments and withdrawals	21,356	6,425
Administration	1	
Other	3,009	
Total deductions	<u>24,366</u>	<u>6,425</u>
Net (increase) decrease	(1,621)	761
Net position held in trust, beginning of year	<u>329,228</u>	<u>2,233</u>
Net position held in trust, end of year	<u>\$ 327,607</u>	<u>\$ 2,994</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Milford (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

A. Reporting Entity

The government is a municipal corporation governed by an elected mayor and 15-member Board of Aldermen. A 10-member Board of Education oversees all education activities. As required by GAAP, these financial statements present all of the governmental functions for which it is financially accountable.

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The Sewer Fund is used to account for revenue from the operation of the sewer system. The major source of revenue is user fees and investment income.

The Capital Nonrecurring Fund is used to account for those projects of the City, except for those of the school buildings or sewers, which are capital nonrecurring in nature. The major sources of revenue for this fund are intergovernmental revenues and bond proceeds.

The Sanitary Sewer Fund is used to account for activities related to the construction of sanitary sewers. The major sources of revenue for this fund are proceeds from the sale of bonds.

The School Facilities Fund is used to account for construction of school buildings and additions. The major sources of revenue for this fund are State revenues and proceeds from the sale of bonds.

The City reports the following major proprietary funds:

The Milford Golf Course Fund accounts for the activity of the municipal golf course.

The Harbor Management Fund is used to account for the activity of Harbor area.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the City's and Board of Education's health insurance, the City's workers' compensation insurance and the City's and Board of Education's property and casualty insurance.

The Pension Trust Funds account for the activities of the Milford Retirement System, which accumulates resources for pension benefit payments to qualified City employees.

The OPEB Trust Fund accounts for and accumulates resources for post-employment benefits due to the City's retirees.

All fiduciary funds, including agency funds, use the accrual, rather than the modified accrual, of accounting.

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

The City'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.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the City are reported at fair value.

E. 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 noncurrent 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." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied each June on the assessed value listed on the prior October 1 grand list for all taxable property located in the City. Although taxes are levied in June, the legal right to attach the property does not exist until July 1, and, as such, taxes are due and payable in equal installments on July 1 and January 1 following the date of the grand list. Taxes become overdue one month after the installment date. Interest accrues at the rate of 1.5% per month. Additional property taxes are assessed for motor vehicles registered subsequent to the grand list date and are payable in one installment due January 1.

In accordance with State law, the oldest outstanding tax is collected first. Prior to June 30 of each year, liens are automatically placed on outstanding real estate tax accounts, with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Real estate, motor vehicle, and personal property accounts are no longer collectible 15 years after the due date in accordance with State Statutes. A total of \$978 has been established as an allowance for uncollectible taxes and interest.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	35-70
Motor vehicles	5-20
Office and other equipment	5-15

H. Compensated Absences

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

Under the terms of its various contracts, City and Board of Education employees are granted sick leave in varying amounts. Certain employees may carry over a limited number of unused sick days to subsequent years and, in the event of termination, these employees are reimbursed for accumulated sick time. Accumulated vacation and sick time is recognized as a liability of the City in the government-wide statement of net position.

I. Long-Term Obligations

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

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

J. Fund Equity

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investments in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Net position is restricted when there are externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position includes anything that does not meet the definition of “restricted” or “net investments in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Board of Aldermen has the highest level of decision making authority for the City of Milford. In order for the City to establish, modify or rescind a fund balance commitment, the Mayor must make a recommendation to the Board of Aldermen, which has final authority.

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board (Board of Alderman) or a body or official (Director of Finance) that has been delegated authority to assign amounts by the City Charter.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Prior to February 1, the Mayor and the Board of Education submit proposed budgets for their respective shares of the General Fund to the Board of Finance. Prior to April 1, the Board of Finance submits to the Board of Aldermen the proposed fiscal budget. The Board of Aldermen then holds hearings on the Board of Finance's proposed budget. The Board of Aldermen may reduce or delete any item contained in the Board of Finance's budget by a simple majority. The Board of Aldermen may increase or add to any item in the Board of Finance budget by a two-thirds vote. The Board of Aldermen adopts the budget for the following fiscal year and sets the mill rate. This budget, at the department level, becomes the legal level of control. For management purposes, the Mayor is authorized to transfer budgeted amounts between like categories of line items within individual budgeted departments. All other transfers, as well as additional appropriations, must first be approved by the Board of Finance and then by the Board of Aldermen. Allocation transfers of \$2,205 were approved during the fiscal year.

All unencumbered appropriations lapse at year-end except those for Capital Projects and Special Revenue Funds. Appropriations for these funds are continued until completion of applicable projects, which generally extend more than one fiscal year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as assigned or committed fund balance, in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental fund types. For GAAP purposes, encumbrances outstanding at the year-end are reported as an assignment or commitment of fund balance since they do not constitute expenditures or liabilities.

The major difference between the budgetary and GAAP basis of accounting is:

- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year whereas they are shown as an assigned fund balance on a GAAP basis of accounting.
- In accordance with Governmental Accounting Standards Board Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the City reports on-behalf contributions made by the State of Connecticut to the Connecticut State Teachers' Retirement System as revenue and expenditures for GAAP purposes.

- At the end of each fiscal year, the Board of Education’s summer payroll is charged to the subsequent year’s budget. As these expenditures should be accrued, this adjustment is necessary to properly record expenditures on a GAAP basis.

B. Deficit Fund Equity

The following funds had a deficit fund balance at June 30, 2013:

	<u>Amount</u>
Major:	
School Facilities Fund	\$ 8,277
Sanitary Sewer Fund	6,125
Nonmajor Fund:	
School Renovations	197

This deficit will be reduced or eliminated through the receipt of grant funds, permanent financing or future transfers from the General Fund.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposit will not be returned. The City does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$48,417 of the City's bank balance of \$52,156 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 45,250
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>3,167</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 48,417</u></u>

Cash Equivalents

At June 30, 2013, the City's cash equivalents amounted to \$43,435. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF)	AAA/m
Cutwater Asset Management - Connecticut Cooperative Liquid Assets Securities System (CLASS) Plus	AAA/m
Money market funds *	

*Not rated

Investments

As of June 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Asset-backed securities	AAA to AA-	\$ 2,974		\$ 2,974	
Asset-backed securities	NR	8,011		1,083	6,928
Treasury notes	AAA to AA-	13,304		9,941	3,363
Corporate bonds	AAA to AA-	2,388		1,191	1,197
Corporate bonds	A+ to A-	16,171		15,803	368
Corporate bonds	BBB+ to BBB-	14,109	468	13,641	
Corporate bonds	BB+ to BB-	10,423	461	9,928	34
Corporate bonds	B+ to B-	10,677		10,677	
Corporate bonds	CAA3 to CCC	2,761		2,761	
Corporate bonds	NR	66		66	
Certificates of deposit	*	244	127	117	
Total		81,128	<u>\$ 1,056</u>	<u>\$ 68,182</u>	<u>\$ 11,890</u>
Other investments:					
Equities		188,034			
Alternative investments		37,526			
Mutual funds		<u>3,648</u>			
Total Investments		<u><u>\$ 310,336</u></u>			

*Subject to coverage by Federal Depository Insurance and collateralization.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City limits their maximum final stated maturities to 15 years, unless specific authority is given to exceed. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The City has no formal investment policy that would further limit its investment choices.

Concentration of Credit Risk - The City has no policy limiting an investment in any one issuer that is in excess of 5% of the City's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At June 30, 2013, the City did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the City's name.

4. RECEIVABLES

Receivables as of year end for the City's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Nonrecurring Fund</u>	<u>Sewer Fund</u>	<u>Milford Golf Course</u>	<u>Nonmajor and Aggregate Remaining Funds</u>
Receivables:					
Taxes	\$ 11,712	\$	\$ 150	\$	\$
Accounts	113	24	19	23	913
Special assessments	78				59
Intergovernmental	1,613	547			248
Gross receivables	<u>13,516</u>	<u>571</u>	<u>169</u>	<u>23</u>	<u>1,220</u>
Less allowance for uncollectibles:	<u>(978)</u>				
Net Total Receivables	<u>\$ 12,538</u>	<u>\$ 571</u>	<u>\$ 169</u>	<u>\$ 23</u>	<u>\$ 1,220</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 10,562	\$
Taxes collected in advance		1,900
Assessments not yet due	221	
School building grant	1,020	
Grant drawdowns prior to meeting all eligibility requirements		<u>2</u>
	<u>\$ 11,803</u>	<u>\$ 1,902</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 36,533	\$ 40	\$	\$	\$ 36,573
Construction in progress	140,110	18,637		(15,690)	143,057
Total capital assets not being depreciated	<u>176,643</u>	<u>18,677</u>	<u>-</u>	<u>(15,690)</u>	<u>179,630</u>
Capital assets being depreciated:					
Buildings and improvements	133,517			10,568	144,085
Improvements other than buildings	2,736	21		820	3,577
Machinery and equipment	36,989	2,155	(279)		38,865
Infrastructure	93,395			4,302	97,697
Total capital assets being depreciated	<u>266,637</u>	<u>2,176</u>	<u>(279)</u>	<u>15,690</u>	<u>284,224</u>
Less accumulated depreciation for:					
Buildings and improvements	(57,078)	(1,902)			(58,980)
Improvements other than buildings	(862)	(197)			(1,059)
Machinery and equipment	(29,166)	(1,235)	256		(30,145)
Infrastructure	(43,329)	(894)			(44,223)
Total accumulated depreciation	<u>(130,435)</u>	<u>(4,228)</u>	<u>256</u>	<u>-</u>	<u>(134,407)</u>
Total capital assets being depreciated, net	<u>136,202</u>	<u>(2,052)</u>	<u>(23)</u>	<u>15,690</u>	<u>149,817</u>
Governmental Activities Capital Assets, Net	<u>\$ 312,845</u>	<u>\$ 16,625</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>\$ 329,447</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,654	\$	\$	\$	\$ 1,654
Capital assets being depreciated:					
Buildings and system	468				468
Improvements other than buildings	1,231				1,231
Machinery and equipment	693				693
Total capital assets being depreciated	<u>2,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,392</u>
Less accumulated depreciation for:					
Buildings and system	(251)	(16)			(267)
Improvements other than buildings	(146)	(6)			(152)
Machinery and equipment	(449)	(15)			(464)
Total accumulated depreciation	<u>(846)</u>	<u>(37)</u>	<u>-</u>	<u>-</u>	<u>(883)</u>
Total capital assets being depreciated, net	<u>1,546</u>	<u>(37)</u>	<u>-</u>	<u>-</u>	<u>1,509</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,200</u>	<u>\$ (37)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 81
Administration	166
Public safety	1,180
Public service	1,782
Education	839
Health and welfare	119
Grants to agencies	<u>61</u>
Total Depreciation Expense - Governmental Activities	\$ <u><u>4,228</u></u>
Business-type activities:	
Milford Golf Course	\$ 16
Harbor Management	<u>21</u>
Total Depreciation Expense - Business-Type Activities	\$ <u><u>37</u></u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. At June 30, 2013, the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Nonrecurring Fund	General Fund	\$ 77
General Fund	Harbor Management	4
General Fund	Capital Nonrecurring Fund	815
General Fund	Nonmajor Governmental	21
General Fund	Sanitary Sewer	864
General Fund	School Facilities	1,042
General Fund	Harbor Management	1
General Fund	Sewer Use	17
General Fund	Sewer Use	173
Internal Service	Nonmajor Governmental	17
Internal Service	General Fund	53
Internal Service	Sewer Use	57
Nonmajor Governmental	General Fund	2
Nonmajor Governmental	Sewer Use	2
Sewer Use	General Fund	<u>123</u>
Total		\$ <u><u>3,268</u></u>

Interfund transfers:

	Transfers In			Total
	Capital Nonrecurring	Nonmajor Governmental	General Fund	
Transfers out:				
General Fund	\$ 2,327	\$ 500	\$ 4	\$ 2,827
Harbor Management			4	4
Sewer Use Fund	120		17	137
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ <u>2,447</u>	\$ <u>500</u>	\$ <u>21</u>	\$ <u>2,968</u>

General Fund transfers are made in accordance with budget appropriations and authorized allocation transfers. The General Fund transfers to other funds are primarily for the purpose of establishing local funding for capital projects to reduce bonding. Transfers are used to move unrestricted general fund revenues to fund various programs that must be accounted for separately in accordance with budgetary authorizations.

7. LONG-TERM DEBT

General Obligation Bonds

Bonds payable at June 30, 2013 amounted to \$111,570 with interest rates ranging from 2.0% to 4.0% on bonds maturing at various dates through the year 2032. Grants receivable to offset future City principal payments totaled \$1,020 from State of Connecticut school construction grants. The General Fund is typically used to liquidate long-term liabilities.

Bonds authorized and unissued totaled \$49,177 at June 30, 2013. A summary of the long-term indebtedness transactions for the current fiscal year follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 96,615	\$ 37,435	\$ (22,480)	\$ 111,570	\$ 8,080
Bond premium		1,566	(70)	1,496	
Less deferred amounts on refunding	(600)	(494)	180	(914)	
Total bonds payable	<hr/> 96,015	<hr/> 38,507	<hr/> (22,370)	<hr/> 112,152	<hr/> 8,080
Long-term note payable	39,488		(2,028)	37,460	2,060
Claims and judgments	4,100	36,839	(36,929)	4,010	
Compensated absences	18,282		(562)	17,720	1,063
Net OPEB obligation	<hr/> 84,556	<hr/> 17,992	<hr/>	<hr/> 102,548	<hr/>
Total Governmental Activities					
Long-Term Liabilities	\$ <u>242,441</u>	\$ <u>93,338</u>	\$ <u>(61,889)</u>	\$ <u>273,890</u>	\$ <u>11,203</u>

The following is a schedule of long-term debt maturity:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,080	\$ 3,660	\$ 11,740
2015	8,090	3,428	11,518
2016	7,735	3,188	10,923
2017	8,140	2,932	11,072
2018	7,545	2,646	10,191
2019	7,215	2,358	9,573
2020	7,040	2,083	9,123
2021	6,645	1,823	8,468
2022	6,435	1,578	8,013
2023	6,270	1,343	7,613
2024	5,800	1,146	6,946
2025	5,355	978	6,333
2026	5,090	819	5,909
2027	4,710	665	5,375
2028	4,355	516	4,871
2029	4,025	375	4,400
2030	3,350	238	3,588
2031	2,595	141	2,736
2032	1,935	66	2,001
2033	<u>1,160</u>	<u>17</u>	<u>1,177</u>
Total	\$ <u>111,570</u>	\$ <u>30,000</u>	\$ <u>141,570</u>

Long-Term Note Payable

The City has several State of Connecticut Clean Water serial notes outstanding. The interest rate is 2% and the notes are payable through May 31, 2029. The principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,060	\$ 730	\$ 2,790
2015	2,102	688	2,790
2016	2,144	644	2,788
2017	2,188	604	2,792
2018	2,232	554	2,786
2019-2023	11,857	2,096	13,953
2024-2028	12,547	864	13,411
2029	<u>2,330</u>	<u>23</u>	<u>2,353</u>
Total	\$ <u>37,460</u>	\$ <u>6,203</u>	\$ <u>43,663</u>

Defeasance of Debt

On November 29, 2012, the City issued \$14,045 million in General Obligation Refunding Bonds carrying interest rates of 2.0 - 4.0% to advance refund \$11.07 million of outstanding 2003 bonds with interest rates of 3.75 - 4.375%, \$3.905 million of outstanding 2006 bonds with interest rates of 4.0 - 4.125%. These advance refundings were undertaken to reduce total debt service payments by \$1.577 million and resulted in a net present value savings of \$1.541 million. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased. At June 30, 2013, \$14,045 million of the defeased debt is outstanding.

Prior Year Defeasance of Debt

In prior years, the City had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2013, \$15,060 of bonds outstanding is considered defeased.

Bond Anticipation Notes

Bond anticipation notes, which serve as temporary financing for certain capital projects, were outstanding at June 30, 2013.

	<u>Amount</u>
Notes payable, July 1, 2012	\$ 31,816
Notes issued	31,845
Notes retired	<u>(46,106)</u>
Notes Payable, June 30, 2013	<u><u>\$ 17,555</u></u>

During the year, the City issued \$14,290 in notes dated November 2, 2012, which matured May 2, 2013. On May 2, 2013, the City issued \$17,555 in notes that mature on November 12, 2013 and carry an interest rate of 1%. These notes serve as temporary financing for various general purpose, school and sewer projects.

Other Obligations

At June 30, 2013, the dollar value of City employees' and Board of Education employees' accumulated vacation and sick time has been valued using the vesting methods outlined in GASB Statement No. 16. These obligations are typically funded by the General Fund.

Debt Limitation

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 373,577	\$ 60,758	\$ 312,819
Schools	747,153	59,847	687,306
Sewers	622,628	94,137	528,491
Urban renewal	539,611		539,611
Pension deficit	498,102		498,102

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation (\$1,162,238).

The indebtedness reflected above includes long-term debt outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School indebtedness is net of \$1,020 of State of Connecticut school building grant commitments.

8. RISK MANAGEMENT

The City and the Board of Education are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. For FY2013, the City and the Board of Education Property, General Liability, Auto Liability, Public Officials' Liability, Police Professional Liability, and Educators' Liability were insured by CIRMA with deductibles of \$1,000 for auto physical damage and \$-0- for other liability coverage. Law Enforcement/Public Officials/School Leaders has a \$25,000 deductible and Employee Benefits has a deductible of \$1,000. The Board of Education insures its Workers' Compensation with CIRMA.

The Property/Inland Marine Insurance and Boiler and Machinery Insurance are with CIRMA Insurance. The policy has a deductible of \$50,000. There is \$20,000,000 of coverage for flood damage under this policy. Flood Zones A and V have a deductible of \$1,000,000. The City has purchased coverage from the National Flood Program to cover this deductible. The National Flood Program has a maximum deductible of \$25,000.

All City deductibles and premiums for the City portion of insurance are paid from the City's Property and Casualty Self Insurance Fund. The Board of Education pays for its premiums and deductibles from its operations budget.

The Property and Casualty Self Insurance Fund is an internal service fund that was established by the Board of Aldermen in April 2003 along with a self insurance program for property and casualty insurance. This fund pays for claims that occurred between April 23, 2003 and June 30, 2008. The General Liability, Auto Liability, Public Officials' Liability, Police Professional Liability and Educator's Liability were self insured for the first \$250 thousand dollars of each claim. There is an excess coverage policy for up to \$5 million of losses provided by Genesis. The General Liability, Police Professional Liability and Auto Liability have additional coverage of \$10 million provided by Crum and Foster. There is still one claim open from this period.

The claims liability reported in the Internal Service Fund at June 30, 2013 is based on GASB Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded.

	<u>Liability July 1,</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
06/30/12	\$ 472	\$	1,531	\$	1,693	\$	310
06/30/13	310		1,179		1,268		221

The Workers' Compensation Internal Service Fund is used to account for and finance workers' compensation costs for City employees and City Grant Agency employees. Contributions to the Workers' Compensation Fund from the General Fund are made based upon actuarial calculations. Payments are made by Grant Agencies and the Sewer Fund based upon NCCI rates based on payroll.

The City carries an Excess Workers' Compensation Policy with Safety National Casualty Corporation with a self-insured retention per occurrence of \$500,000.

The General Fund will be used to cover any uninsured risks of loss.

Changes in the claims liability for the years ended June 30, 2013 and 2012, were as follows:

	<u>Liability July 1,</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
06/30/12	\$ 2,033	\$	876	\$	894	\$	2,015
06/30/13	2,015		1,218		1,197		2,036

The Health Insurance Service Fund is used to account for and finance indemnity medical coverage for eligible City, Board of Education and City Grant Agency employees and dependents, and prior employees and dependents entitled to continue participation in the City's plan under the provisions of COBRA. For the year ended June 30, 2013, the annual limit on individual medical claims chargeable to the Fund is \$100,000. Payments to the Health Insurance Fund are made by the Grant Agencies, the Sewer Use Fund, the Special Education Grants Fund, the Special Grants Fund, the Harbor Management Enterprise Fund and persons continuing coverage under COBRA in an amount equal to the premium an individual would pay for continuation coverage under the group program. The City makes General Fund contributions to the Health Insurance Fund based on budgeted amounts, which, in conjunction with estimated Grant contributions, total the year's estimated expected losses. Employee and applicable retirees under age 65 also make contributions to the fund through premium cost share.

Changes in the claims liability for the years ended June 30, 2013 and 2012, were as follows:

	<u>Liability July 1,</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
06/30/12	\$ 1,775	\$	34,689	\$	34,537	\$	1,775
06/30/13	1,775		34,442		34,464		1,753

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Descriptions

The City of Milford is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its full-time employees other than teachers who are covered by the Retirement System - State Teachers Retirement Board. The Retirement System is considered to be part of the City of Milford's financial reporting entity and is included in the City's financial reports as a pension trust fund. The City does not issue stand alone financial statements for the Pension Trust Fund.

The City of Milford Retirement System provides retirement benefits as well as death and disability benefits. Benefits vest after 10 years for General City members (5 years for Public Works, Supervisors, Custodians and Cafeteria Workers); there is no vesting for Police and Fire members. Except for Police and Fire, members who retire after age 60 with 10 years of service (5 years for Public Works, Supervisors, Custodians and Cafeteria Workers) or the age at which the sum of age and service equal 80 (79 for non-represented members and Board of Education Contract Secretaries) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% or 2-1/4% of their final average salary for each year of credited service. Police and Fire members who retire after 20 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 45% times average annual pay plus 2% times average annual pay times credited service over 20 years. Supplemental benefits for Police members who were hired prior to April 6, 1989 and Fire members are based on 1/2 of salary increases given to members in the grade that the member was in at the time of retirement.

Final average salary is the average of the 2 or 3 highest fiscal years compensation. General city members with 10 years of service (5 years for Public Works, Custodians and Cafeteria Workers) may retire at or after age 50 and receive a reduced benefit. If a member leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions with interest thereon are refunded. Benefits and employee contributions are fixed by contract and may be amended by union negotiation. The surviving spouse of a Fire active member or retiree who retired after November 1, 1988 receives a fixed pension supplement equal to 50% of average annual pay at death or retirement, payable monthly for life. The surviving spouse of a Police active member or retiree who retired after June 29, 2001 receives a fixed pension supplement equal to 50% of average annual pay at death or retirement, payable monthly for life.

Membership in the plan consisted of the following at July 1, 2012:

	City of Milford Retirement System
Retirees and beneficiaries receiving benefits	737
Terminated employees entitled to benefits but not yet receiving them	14
Active plan members	723
Total	<u>1,474</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as per statutory or contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with the terms of the PERS. All administrative costs are financed through investment earnings. All investments of the fund are reported at fair value.

C. Funding Status and Progress

City of Milford Retirement System

General City members are required to contribute 2.25% of annual compensation up to \$4,200 plus 5% of compensation in excess of \$4,200 (4% of compensation in excess of \$4,200 for MEA and MSA members and non-represented members with 15 or more years of service); Fire employees are required to contribute 6% of annual compensation; if they have less than 15 years of service, 5% for years between 15 and 24, and 4% thereafter; Police employees are required to contribute 5.5% of annual compensation if they have less than 10 years of service, 5% for years between 10 and 14, and 4.5% thereafter. The contributions by employees are determined by collective bargaining. The City is required by ordinance to contribute the remaining amounts necessary to provide benefits for the members.

D. Annual Pension Cost and Net Pension Obligations

The City’s annual pension cost and net pension obligation to the PERS for the current year were as follows:

	City of Milford Retirement System
	<hr/>
Annual required contribution	\$ 324
Interest on net pension obligation	(2)
Adjustment to annual required contribution	3
	<hr/>
	325
Annual pension cost	
Contribution made	<hr/>
	324
Decrease in net pension asset	1
Net pension asset, July 1, 2012	<hr/>
	(23)
Net pension asset, June 30, 2013	<hr/> <hr/>
	\$ (22)

The following is a summary of certain significant actuarial assumptions and other PERS information:

	City of Milford Retirement System
	<hr/>
Actuarial valuation date	July 1, 2012
Actuarial cost method	Aggregate
Amortization method	None*
Remaining amortization period	Not Applicable
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return (including inflation rate of 3.5%)	8.25%/annum
Projected salary increases	3.0%/annum
Cost of living adjustments:	
Post-retirement benefit increases	None, except for Police hired after April 6, 1989 - 3%/annum

* The aggregate actuarial cost method is used and it does not identify or separately amortize unfunded actuarial liabilities.

E. Trend Information

City of Milford Retirement System			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$ 1	- %	\$ (24)
2012	343	99.7	(23)
2013	325	99.7	(22)

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	City		Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
			Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)		
7/1/09	\$ 383,936	\$ 302,642	\$ (81,294)	126.9%	\$ 40,550	(200.5)%
7/1/10	375,679	307,980	(67,699)	122.0	40,622	(166.7)
7/1/11	372,126	307,306	(64,820)	121.1	41,597	(155.8)
7/1/12	354,081	321,477	(32,604)	110.1	43,010	(75.8)

* Schedule was prepared using the entry-age normal cost method as the aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Schedule of Employer Contributions

City of Milford Retirement System		
Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed
6/30/08	\$ 1,129	120.5%
6/30/09	-	100.0
6/30/10	-	100.0
6/30/11	-	100.0
6/30/12	342	100.0
6/30/13	324	100.0

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

State of Connecticut Police and Fire Survivors' Plan

The City makes monthly contributions to the State Survivors' Plan based upon an amount invoiced by the State. The State Survivors' Plan makes monthly payments to the surviving spouses of police and fire retirees. The City has no information concerning payments made by or the funding status of this plan. City contributions for the year ended June 30, 2013 were \$179.

Connecticut State Teachers' Retirement System

All certified employees of the City of Milford school system participate in the State of Connecticut Teachers' Retirement System under Chapter 167a of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut. The City's Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not have any liability for Teacher Pensions. The amount contributed by the State on behalf of the City of Milford's Board of Education was \$10,360. This amount has been recorded in the General Fund as intergovernmental revenue and education expenditures.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description and Benefits Provided

City

In addition to the pension benefits, all City employees retiring under the City of Milford Retirement Plan are provided postemployment benefits. Individual stand-alone statements are not issued. Effective July 1, 2011, the City established the OPEB Trust Fund, which converted the existing balance in the OPEB fund to the Trust. The City continues to make annual contributions to the OPEB Trust Fund. This trust fund was opened for the purpose of segregating balances for postemployment benefits. All related activity is now shown in the newly established OPEB Trust Fund. The level of these benefits is determined by contract for all union employees and by a City ordinance for all nonrepresented employees. Per contracts and ordinances, the City will pay a portion of the cost of these benefits. Effective July 1, 2012, some retirees will contribute toward the cost of benefits via cost share, but will not become significant contributions until fiscal year 2014. Benefits provided are as follows: 1) for retirees under 65, the City must currently provide Blue Cross/Blue Shield hospitalization, medical/surgical, prescription drug and major medical coverage's (varying deductibles) with coverages provided to both the retired employee and eligible dependents; 2) for retired employees and their eligible dependents, the City must provide Blue Cross/Blue Shield 65 coverage and also reimburse the Medicare Part B premium for each eligible retiree and retiree spouse eligible for Medicare; 3) the City also provides life insurance coverage based on union contracts. Health care costs are as follows:

Pre-65:		
General City		\$9,558 per year
Fire		\$9,287 per year
Police		\$9,287 per year
Post-65:		
BC 65 Low Option		\$1,586 per year
Plan 82		\$2,482 per year
Medicare Part B:		
Actives		\$1,319 per year
Retirees		\$1,199 per year

Board of Education

The Board of Education provides certain post-retirement benefits to retirees through negotiated contracts. Eligibility for benefits is as follows:

Teachers: Prior to age 65 retiree and spouse pay full premium minus the Teachers' Retirement Board subsidy (eligible if receiving a retirement allowance from the Teacher's Retirement Board). Post 65, Board of Education pays premium in full for participant only, spouse pays premium minus subsidy.

Para-professionals: Retiree and spouse pay 50% of premium at age 60 with 15 years of service. No benefits after age 65.

Custodians: No cost to retiree or spouse until age 65 if at least age 60 with 10 years of service at retirement. At age 65, retiree and spouse must pay for prescription and dental coverage if elected.

Secretaries: No cost to retiree or spouse if retiree is at least 60 with 10 years of service at retirement or age plus service equals 79. (Note: Rule of 79 also applies to custodians and cafeteria workers.)

Cafeteria Workers: No cost to retiree or spouse until age 65 if employee is at least age 60 with 10 years of service at retirement. At age 65, retiree and spouse must pay for prescription and dental coverage if elected.

Administrators: If retire before age 65, must be receiving retirement allowance from the Teachers' Retirement Board to qualify for benefits. No cost to retiree or spouse if the percentage of premium that the employee pays prior to retirement is less than the Teachers' Retirement Board subsidy. If cost is greater than the subsidy, retiree pays the difference. If subsidy is eliminated, retiree pays percentage of cost in effect at time of retirement. At age 65, there is no cost to the retiree or spouse for medical insurance. Retirement date on or after 7/1/2010, retiree and spouse must pay for dental coverage, regardless of age. .

The Board provides Medicare Part A and B supplemental coverage and life insurance for retirees over 65. The Board of Education does not provide any financial assistance to those teachers who retire prior to age 65. The State Teachers' Retirement Board provides a \$110 (single) and/or \$220 (two-person) per month per employee as a subsidy to offset the post-employment costs. Life insurance is provided to Union employees as follows: Administrators 100% of salary; Teacher 50% of salary; support or non-certified staff \$10,000 or less. The Life Insurance Amount is fixed and does not get adjusted for inflation, cost of living, or any other index. Health care costs are as follows:

Pre-65 (for current active members who retire):	
Board of Ed-Café	\$9,867 per year
Board of Ed-Cust	\$9,156 per year
Board of Ed-Sec	\$9,264 per year
Board of Ed-Para	\$9,173 per year
Administrators	\$9,216 per year
Teachers	\$9,173 per year
Pre-65 (for current retirees who are under 65):	
Based on plan selected	
Post-65 (for current active members who retire and current retirees who are over 65):	
Plan 82 only	\$1,076 per year
Hi Option with Plan 82 and Major Medical (\$50,000)	\$4,927 per year
Hi Option with Plan 82 and Major Medical (\$250,000)	\$5,058 per year
Hi Option with Plan 82 and No Rx	\$2,315 per year
Plan F with Rx	\$5,792 per year
Medicare Part B:	
Actives	\$1,326 per year (est.)
Retirees	\$1,259 per year
Post-65 (for current retirees who are under 65):	
Based on plan selected - Dental plan	\$561 per year

B. Membership

Membership in the plan consisted of the following at July 1, 2012:

	Board of Education Retiree Medical Benefit Plan	City of Milford Retiree Medical Benefit Plan
Number of retirees and eligible surviving spouses	687	572
Number of active participants	1,048	533
Total	1,735	1,105

C. Description of Actuarial Assumptions and Methods

Actuarial calculations reflect a long-term perspective. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events into the future. Actuarially determined amounts are subject to continual revision, as results are compared to past expectations and new estimates are made about the future. Calculations are based on benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The following is a summary of certain significant actuarial assumptions and other PERS information:

	Board of Education Retiree Medical Benefit Plan	City of Milford Retiree Medical Plan
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method	Level dollar	Level dollar
Remaining amortization period	26 years - closed	27 years - closed
Actuarial assumptions:		
Investment rate of return	5.0%/annum	5.0%/annum
Projected salary increases	4.5%/annum	n/a

Medical Trend rates - Board of Education and City retirees:

9% in 2010, reducing by 0.5% each year to a final 5% per year rate for 2020 and later for pre-age 65 plans.
8% in 2012, reducing by 1.0% each year to a final 5% per year rate for 2015 and later for post-age 65 plans
(changed from 10% in 2010, grading to 5% for 2015 and later).

Retirement Assumptions:

City

General City: Age 62 or completion of 10 years of service if later, minimum age on valuation date plus one year.

Fire: 20 years of service, minimum age 53, maximum age 60, minimum age on valuation date plus one year.

Police: 20 years of service, minimum age 45, maximum age 60, minimum age on valuation date plus one year.

Board of Education

Cafeteria Workers, Custodians, Secretaries: age 50 with 10 years of service, minimum age on valuation date plus one year.

Teachers and Administrators: age 60 with 10 years of service or age 55 with 20 years of service, minimum age on valuation date plus one year.

Para-professionals: age 60 with 15 years of service, minimum age on valuation date plus one year.

D. Annual OPEB Cost and Net OPEB Obligations

The City and Board of Education's annual OPEB cost and net OPEB obligation for the current year was as follows:

	Board of Education Retiree Medical Benefit Plan	City of Milford Retiree Medical Benefit Plan
Annual required contribution	\$ 14,383	\$ 14,785
Interest on net OPEB obligation	2,188	2,040
Adjustment to annual required contribution	<u>(2,711)</u>	<u>(2,528)</u>
Annual OPEB cost	13,860	14,297
Contribution made	<u>3,741</u>	<u>6,424</u>
Increase in net OPEB obligation	10,119	7,873
Net OPEB obligation, July 1, 2012	<u>43,758</u>	<u>40,798</u>
Net OPEB obligation, June 30, 2013	<u>\$ 53,877</u>	<u>\$ 48,671</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal year ended June 30, 2013 is presented below.

	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
Board of Education				
6/30/11	\$ 12,732	\$ 3,627	28.0%	\$ 34,443
6/30/12	13,287	3,972	29.9%	43,758
6/30/13	13,860	3,741	27.0%	53,877
City				
6/30/11	\$ 14,464	\$ 5,077	35.0%	\$ 35,251
6/30/12	13,659	8,112	59.4%	40,798
6/30/13	14,297	6,425	44.9%	48,671

Schedule of Employer Contributions

City		
Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed
6/30/08	\$ 12,433	\$ 31.0%
6/30/09	13,055	34.9
6/30/10	14,070	35.4
6/30/11	14,773	34.4
6/30/12	14,081	57.6
6/30/13	14,785	43.4

Board of Education		
Fiscal Year Ended	Annual Required Contribution	Percentage of ARC Contributed
6/30/08	\$ 11,042	29.2%
6/30/09	11,594	29.7
6/30/10	12,414	22.2
6/30/11	13,035	27.8
6/30/12	13,698	29.0
6/30/13	14,383	26.0

Schedule of Funding Progress

The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

City

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Underfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
7/1/06	\$ -	\$ 114,337	\$ 114,337	-	\$ 31,600	361.8%
7/1/08	-	128,764	128,764	-	32,683	394.0%
7/1/10	-	133,711	133,711	-	32,996	405.0%
7/1/12	2,232	129,798	127,565	1.72%	34,856	366.0%

Board of Education

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Underfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u>
7/1/06	\$ -	\$ 107,159	\$ 107,159	-	\$ 60,440	177.3%
7/1/08	-	117,053	117,053	-	55,591	210.6%
7/1/10	-	131,639	131,639	-	62,165	212.0%
7/1/12	-	142,358	142,358	-	62,276	232.0%

11. FUND BALANCE

Significant encumbrances at June 30, 2013 are contained in the above table in both the assigned and committed categories of the General Fund.

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Sanitary Sewer Fund</u>	<u>School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:							
Nonspendable:							
Inventory	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ 66
Prepays			39				39
Restricted for:							
Grants						3,802	3,802
Committed to:							
Capital projects		245	2,050	5,428	14,122		21,845
General government	1,033					1,070	2,103
Education						1,799	1,799
Debt service						4,149	4,149
Assigned to:							
Subsequent year's budget	5,000						5,000
General government	697						697
Public safety	115						115
Public services	127	4,047					4,174
Health and welfare	27						27
Education	1,909					118	2,027
Unassigned	14,945		(1,640)	(11,553)	(22,399)	(197)	(20,844)
Total Fund Balances	\$ 23,874	\$ 4,292	\$ 449	\$ (6,125)	\$ (8,277)	\$ 10,786	\$ 24,999

12. CONTINGENT LIABILITIES (Amounts not Rounded)

On June 30, 2005, the City and Milford Power Company, LLC (the MPC) entered into a Property Tax Payment Agreement. The MPC withdrew its assessment appeals for Grand Lists of 2001, 2002, 2003, and 2004. The assessment had been \$183,073,530 generating over \$5,000,000 in taxes. (The assessment and the taxes would have significantly decreased in future years due to depreciation of the personal property.) In return, the City accepted scheduled payments in lieu of taxes for the fiscal years of 2006 through 2015. Payments will be made in July and January of each fiscal year. The payment schedule was \$1,687,500 for each six-month period from July 2005 through January 2009. Payments were \$1,875,000 for each six-month period from July 2009 through January 2011 and will be \$1,750,000 for each six-month period from July 2011 through January 2015. The MPC made the July 2012 and January 2013 payments and is up to date with all their payments.

The City also entered into a Water Access Agreement with the MPC. The MPC opted to terminate that agreement and the City began reimbursing the MPC a total of \$1,300,000 commencing in July 2009. This will be accomplished by reducing by \$325,000 the scheduled July payment disclosed above each year for four years from July 2009 through July 2012.

As a result of the Property Tax Payment Agreement, the Assessor issued a certificate of correction in June 2005 removing the \$183,073,530 from the Grand List of 2004. Since this occurred after the October 1, 2004 Grand List was signed, the reduction does not appear in any of the Grand List 2004 figures, including the Net Taxable Grand List (shown as \$3,999,996,598) in the Property Tax Levies and Collections. The Adjusted Annual Levy of \$122,782,000 does reflect the reduction.

On June 24, 2013, the City settled a tax appeal with the Connecticut Post Mall Limited Partnership. Under this settlement, the City lowered its real property assessment for the 2012 Grand List from \$147,529,970 to \$133,000,000. Additionally, the City adjusted its 2011 assessment to \$133,000,000. This resulted in a total credit due to the Partnership of \$752,764. By terms of the court-approved settlement, the credit will be given to the Partnership over two fiscal years in the form of a credit tax bill, which began in July 2013.

On June 28, 2010, the City entered into a Property Tax Payment Agreement with GenConn Devon LLC. The City accepted a 30-year payment schedule calling for annual payments in lieu of taxes to be made to the City through May 1, 2040. Payment amounts are as follows: 06/30/2010 - \$ 500,000; 05/01/2011 - \$2,500,000; 05/01/2012 - \$3,000,000; 05/01/2013 through 05/01/2040 - \$2,025,000. GenConn is up to date with all their payments.

There are various lawsuits and claims pending against the City's various Boards and Departments, none of which, individually or in the aggregate, is believed by counsel to be likely to result in a judgment or judgments which would seriously affect the City's financial position.

The City 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 expenditures disallowed under the terms of the grant. Based on prior experience, City management believes that such disallowances, if any, will not be material.

**Required Supplementary
Information**

CITY OF MILFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General Property Taxes and Assessments:				
Current taxes	\$ 159,059	\$ 159,059	\$ 160,573	\$ 1,514
Personal property audit	450	450	396	(54)
Prior year's levies	1,600	1,600	3,201	1,601
Flood and erosion assessments	74	74	55	(19)
Suspense collections	13	13	11	(2)
Total general property taxes and assessments	<u>161,196</u>	<u>161,196</u>	<u>164,236</u>	<u>3,040</u>
Fines, Forfeitures Penalties and Interest:				
Interest and liens	<u>1,300</u>	<u>1,300</u>	<u>1,632</u>	<u>332</u>
Federal, State and Local Governments:				
Other State grants	200	200	38	(162)
School transportation aid - State	330	330	303	(27)
Education cost sharing	11,048	11,048	11,063	15
State realty in lieu of tax	459	459	447	(12)
Pequot State Aid	402	402	397	(5)
Elderly tax freeze	5	5		(5)
Elderly tax credit	475	475	479	4
Total disability exemptions			6	6
PILOT - private exemptions	370	370	354	(16)
Veteran grants	190	190	149	(41)
School debt - interest	50	50	52	2
School debt - principal	300	300	320	20
Telephone access grant	110	110	114	4
Property tax relief	300	300	322	22
Municipal Video Corporate Trust Acct			268	268
Shellfish Taxes	2	2	2	-
State aid for health	108	108	112	4
OTB Wagering Share	75	75	85	10
Manufacture machinery, and equipment	1,111	1,111	1,067	(44)
Total federal, state and local government	<u>15,535</u>	<u>15,535</u>	<u>15,578</u>	<u>43</u>
Investment Income:				
Investments in idle funds	14	14	17	3
Rental of other property	<u>47</u>	<u>47</u>	<u>47</u>	<u>-</u>
Total investment income	<u>61</u>	<u>61</u>	<u>64</u>	<u>3</u>

(Continued on next page)

CITY OF MILFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Revenue:				
Rental of school property	\$ 3	\$ 3	\$ 12	\$ 9
PILOT - Water Authority	406	406	400	(6)
Power Plant Settlement	3,175	3,175	3,175	-
Genconn PT	2,025	2,025	2,025	-
Miscellaneous other revenues	4	4	281	277
Inland wetland fees	5	5	11	6
Total other revenue	<u>5,618</u>	<u>5,618</u>	<u>5,904</u>	<u>286</u>
Licenses, Permits and Other Charges:				
Devices and amusements	33	33	34	1
Vending permits	11	11	12	1
Disposal area licenses	45	45	50	5
Recording documents	350	350	430	80
Conveyance tax	590	590	720	130
General copying fees	55	55	77	22
Fire Department fees	2	2	1	(1)
Building inspection fees	600	600	596	(4)
Police fines and forfeits	85	85	43	(42)
Fingerprinting			8	8
False alarm fees	30	30	31	1
Fire Department false alarm fines	1	1		(1)
Street opening permits	7	7	6	(1)
Engineering fees	4	4	4	-
Residential waste fees	43	43	76	33
Health inspection fees	71	71	71	-
Planning and zoning fees	34	34	30	(4)
Zoning appeals fees	8	8	8	-
Recreation fees	43	43	56	13
Walnut Beach parking	11	11	16	5
Parking fines judicial	1	1	15	14
Vehicle violations judicial	16	16	20	4
Mobile fee	5	5	4	(1)
Sewer assessments	1	1	16	15
Animal shelter redemption	5	5	6	1
Dog Fund - City share	7	7	9	2

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CITY OF MILFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Licenses, Permits and Other Charges (continued):				
Recycling revenues	\$ 35	\$ 35	\$ 41	\$ 6
PILOT - Federal payments	2	2	1	(1)
Sticker fees	2	2	1	(1)
Total licenses, permits and other charges	<u>2,097</u>	<u>2,097</u>	<u>2,382</u>	<u>285</u>
Total revenues	<u>185,807</u>	<u>185,807</u>	<u>189,796</u>	<u>3,989</u>
Other financing sources:				
Transfer in			21	21
Sale of capital assets			116	116
Total other financing sources	<u>-</u>	<u>-</u>	<u>137</u>	<u>137</u>
Total Budgeted Revenues and Other Financing Sources	<u>\$ 185,807</u>	<u>\$ 185,807</u>	189,933	<u>\$ 4,126</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			10,360	
Special education excess cost grant is reported gross for GAAP			851	
Premium on refunding bonds			1,566	
Proceeds from sale of refunding bonds			14,045	
Encumbrances for purchases and commitments that were subsequently cancelled in the next fiscal year			<u>(50)</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 216,705</u>	

CITY OF MILFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Uncommitted Balance</u>
	<u>Original</u>	<u>Amended</u>		
General Government:				
Board of Aldermen	\$ 6	\$ 6	\$ 5	\$ 1
Elections	75	123	123	-
Registrar of Voters	139	142	138	4
Milford Govt Access Television	16	16	15	1
Mayor's Office	252	258	254	4
General expenses	544	533	521	12
Community Development Department	106	110	110	-
City Clerk	341	360	356	4
Law Department	506	520	495	25
Ethics Commission	1	1		1
Probate Court	16	16	15	1
Board of Finance	1	1	1	-
Planning and Zoning Board	951	985	956	29
Board of Tax Review	3	3	2	1
Board of Zoning Appeals	14	14	14	-
Pension Board	4	4	4	-
Tree Commission	1	1	1	-
Park and Recreation Commission	1	1	1	-
Conservation Commission	1	1	1	-
Flower memorial commission	6	6	5	1
Housatonic River Est Commission	1	1		1
Public library	1,026	1,055	1,028	27
Total general government	<u>4,011</u>	<u>4,157</u>	<u>4,045</u>	<u>112</u>
Administration:				
Finance Department	1,544	1,573	1,550	23
Data Processing Department	660	678	674	4
Personnel Department	267	277	272	5
Total administration	<u>2,471</u>	<u>2,528</u>	<u>2,496</u>	<u>32</u>
Public Safety:				
Police Department	10,409	10,592	10,194	398
Fire Department	10,569	10,868	10,770	98
Civil Preparedness	90	90	90	-
Animal Control	355	356	345	11
Lighting hydrant water	1,745	1,745	1,707	38
Total public safety	<u>23,168</u>	<u>23,651</u>	<u>23,106</u>	<u>545</u>

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CITY OF MILFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	Budgeted Amounts		Expenditures and Encumbrances	Uncommitted Balance
	Original	Amended		
Public Services:				
Public Works Office	\$ 227	\$ 227	\$ 223	\$ 4
Highway-parks division	2,439	2,384	2,356	28
Building maintenance division	2,815	2,765	2,711	54
Engineering division	354	367	355	12
General garage division	1,211	1,284	1,230	54
Solid waste operations	4,268	4,684	4,666	18
Total public services	<u>11,314</u>	<u>11,711</u>	<u>11,541</u>	<u>170</u>
Board of Education:				
Private School textbooks	20	20	18	2
Educational audit fees	22	22	22	-
Employee benefits	1,077	1,077	991	86
Educational operations	86,882	86,882	86,732	150
Educational Contribution Health Insurance Fund	17,567	17,567	17,567	-
Educational School Nurses	1,246	1,246	1,211	35
Total board of education	<u>106,814</u>	<u>106,814</u>	<u>106,541</u>	<u>273</u>
Health and Welfare:				
Health Department	884	916	848	68
Recreation Department	770	782	718	64
Total health and welfare	<u>1,654</u>	<u>1,698</u>	<u>1,566</u>	<u>132</u>
General Charges:				
Employee benefits - general	17,348	17,348	16,836	512
Insurance and bonds	2,272	2,226	2,171	55
Claims and refunds	485	465	455	10
Benefits and salary reserve	648	(312)	(312)	-
Unallocated contingency	75			-
Total general charges	<u>20,828</u>	<u>19,727</u>	<u>19,150</u>	<u>577</u>
Grants to Agencies:				
Milford Council on Aging	1,346	1,346	1,342	4
Milford Fine Arts Council	68	68	68	-
CMED	99	99	99	-
Regional Mental Health Board	3	3	3	-
Borough of Woodmont	220	220	220	-
Milford Transit District	345	345	345	-
Milford Mental Health	350	350	350	-
Veterans' Graves	3	3	3	-
U.S. Coast Guard Auxiliary	10	10	10	-

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CITY OF MILFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

	Budgeted Amounts		Expenditures and Encumbrances	Uncommitted Balance
	Original	Amended		
Grants to Agencies (continued):				
Milford Historical District Commission	\$ 1	\$ 1	\$ 1	\$ -
Milford Progress Inc	10	10	10	-
Milford Historic #2	1	1	1	-
Visiting Nurses Association	41	41	39	2
Cemetery Association	9	9	9	-
Boys and Girls Club	65	65	65	-
Homeless Shelter/CPAC	75	75	75	-
Total grants to agencies	<u>2,646</u>	<u>2,646</u>	<u>2,640</u>	<u>6</u>
Debt Service:				
Public Debt Service	8,428	8,270	8,062	208
School Debt	3,983	3,983	3,735	248
Total debt service	<u>12,411</u>	<u>12,253</u>	<u>11,797</u>	<u>456</u>
Other Financing Uses:				
Transfers out	<u>490</u>	<u>2,827</u>	<u>2,827</u>	<u>-</u>
Total	<u>\$ 185,807</u>	<u>\$ 188,012</u>	185,709	<u>\$ 2,303</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	10,360
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	(2,282)
Prior year encumbrances reported in the current year for financial reporting purposes	3,533
Special education excess cost grant is recorded gross for GAAP	851
Payment to refunded bond escrow agent	15,469
Issuance costs on bond refunding	142
Change in Board of Education's Summer Payroll originally charged to subsequent years budget for budgetary purposes	(83)
Nonbudgetary items and eliminations related to the Compensated Absences Fund	<u>201</u>

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 213,900