



July 6, 2015

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF NEW MILFORD, CONNECTICUT  
\$9,505,000 General Obligation Bond Anticipation Notes**

**Dated: July 24, 2015**

**Date of Sale: Tuesday, July 14, 2015**

**Due: January 28, 2016**

**Time of Sale: 11:30 A.M. (Eastern Time)**

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

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Tuesday, July 14, 2015. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Tuesday, July 14, 2015.**

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

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of The Town of New Milford, Connecticut as of June 30, 2014. These excerpts are included in this package. Copies of the complete reports for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



## **Telephone Sale Term Sheet**

**\$9,505,000**

### **General Obligation Bond Anticipation Notes Town of New Milford, Connecticut**

**Date of Sale:** Tuesday, July 14, 2015 at 11:30 A.M. (Eastern Time).

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

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

**Issue:** \$9,505,000 General Obligation Bond Anticipation Notes (the "Notes").

**Dated Date:** July 24, 2015

**Principal and Interest Due:** At maturity on January 28, 2016.

**Purpose:** The Notes are being issued to renew notes initially issued to finance various general purpose projects.

**Denominations:** \$100,000, except that one such proposal for a part may include the odd \$105,000 principal amount.

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

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

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The Town has an outstanding bond rating from Moody's Investors Service of "Aa1"

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

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

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

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

**Financial Advisor:** Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 283-1110.

**Legal Opinion:** Joseph Fasi LLC of Hartford, Connecticut will act as Bond Counsel.

**Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about July 24, 2015. Delivery of the Notes will be made against payment in immediately available Federal Funds.

**Issuer Official:** Questions concerning the Town should be directed to Raymond Jankowski, Director of Finance, Town Hall, 10 Main Street, New Milford, Connecticut 06776, Telephone: (203) 355-6066 or Mr. Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut, Telephone: (203) 283-1110.

**NOTICE OF SALE**  
**\$9,505,000**  
**TOWN OF NEW MILFORD, CONNECTICUT**  
**GENERAL OBLIGATION BOND ANTICIPATION NOTES**

The Town of New Milford, Connecticut (the "Issuer"), will receive **telephone proposals only** until:

**11:30 A.M. (E.D.T.)**  
**Tuesday, July 14, 2015**

at the **New Milford Town Hall, 10 Main Street, New Milford, Connecticut 06776**, for the purchase of:

**\$9,505,000 TOWN OF NEW MILFORD**  
**GENERAL OBLIGATION BOND ANTICIPATION NOTES**

**BANK QUALIFIED**

Proposals may be submitted to Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC as Agent for the Issuer, **at telephone no. (203) 283-1110**.

The Notes will be dated **July 24, 2015**, will be payable to the registered owner on **January 28, 2016** and are not subject to redemption prior to maturity. They will be issued in the minimum denomination of \$100,000 or whole multiples thereof, except one such note will include the odd \$105,000. **Denominations of less than \$100,000 will not be made available.** They will bear interest (which interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months) 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.

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 their custody. The book-entry system will evidence ownership of the Notes in the minimum principal amounts of \$100,000, as described above, 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 or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Issuer 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 Issuer 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.

### Submitting Proposals

Proposals for purchase may be submitted by telephone call only to the Issuer's Agent as previously set forth. In submitting a bid by telephonic means, the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound thereby and, further, such bidder accepts and understands the risk that its bid may not be received by the Issuer 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 Agent by the time specified.

Proposals for the purchase of said Notes will be transcribed by the Agent onto the form of proposal for purchase attached hereto. A proposal may be for all or any part of the Notes but any proposal for a part must be for a minimum of \$100,000, of principal amount per interest rate bid, or a whole multiple thereof, except that one such proposal for a part may include the odd \$105,000, of principal amount per interest rate bid, and the total of all principal amounts bid shall not exceed \$9,505,000. No bid for less than par and accrued interest, if any, will be considered.

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 Issuer, the award will be made on the basis of the highest principal amount of the Notes specified. The Issuer reserves the right to award to any bidder all or any part of the Notes bid for in his proposal. If a bidder is awarded only a part of the Notes bid for in his proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Issuer 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 four places.

Any bid received after the time specified, as determined in the sole discretion of the Issuer, will not be reviewed or honored by the Issuer.

### Award

The Notes will be awarded or all bids will be rejected promptly after each respective bid opening and not later than 4:00 P.M. (Hartford time) on July 14, 2015. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

### Legal Opinion

The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidder or bidders will be furnished with their opinion without charge.

The Notes will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The legal opinion will further state that, under existing statutes and court decisions interest on the Notes (i) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations under the Code.

Under existing statutes, the 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 in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, Joseph Fasi 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 Issuer for the benefit of the owners of the Notes, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement.

#### Reoffering Certification

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER OR BIDDERS TO CERTIFY TO THE ISSUER BEFORE THE DELIVERY OF THE NOTES AND IN A MANNER SATISFACTORY TO BOND COUNSEL THE PRICE OR PRICES AT WHICH A SUBSTANTIAL AMOUNT OF THE NOTES WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

#### Documentation to Winning Bidders

The winning bidder or bidders will also be furnished with a Signature and No Litigation Certificate, and a Receipt of payment satisfactory in form to said firm.

#### Certifying/Paying Agent

The Notes will be certified by U.S. Bank National Association.

### Bank Qualification

The Notes **SHALL** be designated by the Issuer 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 expenses allocable to the Notes.

### Official Statement/Continuing Disclosure

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

### Delivery and Payment

The Notes will be delivered to DTC or its Agent via “Fast” on or about July 24, 2015. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder or bidders to obtain CUSIP numbers for the Notes prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning bidder or bidders to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

The purchase price must be paid in Federal Funds.

### More Information

More information regarding this issue and the Issuer, and bid forms may be obtained from the undersigned or from Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460, (203) 283-1110.

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Patricia A. Murphy  
Mayor

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Raymond J. Jankowski  
Director of Finance

July 6, 2015

(See attached for form of Proposal for Purchase)

PROPOSAL FOR NOTES

July 14, 2015

Patricia A. Murphy, Mayor  
Raymond J. Jankowski, Director of Finance  
Town of New Milford  
New Milford Town Hall  
10 Main Street  
New Milford, Connecticut 06776

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated July 6, 2015, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$9,505,000 of Town of New Milford, Connecticut General Obligation Bond Anticipation Notes and to pay therefor par and accrued interest, if any, to the date of delivery, and pay the premium specified below, if any (and we provide our computations of net interest cost carried to four decimals and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal) as follows:

Principal amount \_\_\_\_\_ %  
Stated interest rate \_\_\_\_\_ Percent Net Interest Cost  
Premium \_\_\_\_\_ (Four Decimals)

Principal amount \_\_\_\_\_ %  
Stated interest rate \_\_\_\_\_ Percent Net Interest Cost  
Premium \_\_\_\_\_ (Four Decimals)

Principal amount \_\_\_\_\_ %  
Stated interest rate \_\_\_\_\_ Percent Net Interest Cost  
Premium \_\_\_\_\_ (Four Decimals)

Principal amount \_\_\_\_\_ %  
Stated interest rate \_\_\_\_\_ Percent Net Interest Cost  
Premium \_\_\_\_\_ (Four Decimals)

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in Federal Funds on the date of the Notes or as soon thereafter (but no later than 30 days thereafter) as such Notes may be prepared and ready for delivery by the Issuer.

\_\_\_\_\_  
(Name of Bidder)

\_\_\_\_\_  
(Mailing Address)

\_\_\_\_\_  
(Telephone Number)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Facsimile Number)

## **TAX EXEMPTION**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Notes in order that interest on the Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Notes is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Notes is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

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

In the opinion of Bond Counsel, based on 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 in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Notes.

## **FUTURE EVENTS**

The Federal and State tax treatment of municipal bonds is determined by Federal, state and local legislation, administrative pronouncements and court decisions. For example, recent Federal legislative proposals have been introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Notes, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchasers and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

# JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418  
HARTFORD, CONNECTICUT 06106

A T T O R N E Y S   A T   L A W

TELEPHONE (860)296-0510  
FACSIMILE (860)296-0541

## **FORM OF OPINION OF BOND COUNSEL**

Town of New Milford  
New Milford, Connecticut

Ladies and Gentlemen:

We have represented the Town of New Milford, Connecticut as bond counsel with respect to the issuance and sale of \$9,505,000 Town of New Milford, Connecticut General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of July 24, 2015, maturing January 28, 2016 (the "notes").

We have examined a record of the proceedings authorizing the notes, a Tax Regulatory Agreement of the Town dated July 24, 2015 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the notes, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of an official statement or other offering material relating to the notes, if any, (except to the extent, if any, stated in such official statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the notes under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the notes are a valid and binding general obligation of the Town of New Milford payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the notes in order that interest on the notes not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the notes shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the notes is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the notes is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the notes.

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

We are further of the opinion that, under existing statutes, interest on the 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 in the case of 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 the notes.

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

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

# **TOWN OF NEW MILFORD, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of New Milford, Connecticut  
Year Ended June 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Milford, Connecticut (the "Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Milford, Connecticut, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and the schedules on the Town's pension and other post-retirement benefit plans on pages 60 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

The other supplementary information on pages 92 through 96 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 January 29, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Glastonbury, Connecticut  
January 29, 2015

Management's  
Discussion and  
Analysis

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

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The management of the Town of New Milford, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the most recent fiscal year by \$183,259,772 (net position). Of this amount, \$63,634,229 represents unrestricted net position. Of this amount, \$3,789,741 represents the unrestricted net position attributed to the operations of the Town's Water Pollution Control Authority (business-type activities).
- The Town's total net position increased by \$5,198,379 during the current fiscal year, which consisted of a current year increase of \$24,227,385 relating to the Town's governmental activities and a decrease of \$19,029,006 relating to the Town's business-type activities. The change in governmental activities and the business-type activities includes the transfer of loan proceeds in the amount of \$22,165,429 from the business-type activities to the governmental activities for the purpose of retiring bond anticipation notes outstanding. The related assets were transferred from the governmental activities to the business-type activities in a prior year upon completion of the related sewer project.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$26,207,376, a current year increase of \$3,162,699 in comparison with the prior year. Of this amount, there was a current year increase of \$2,123,770 in the General Fund, an increase of \$1,015,994 in the Waste Management Ordinance Fund, a decrease of \$1,337,590 in the Roads III 12-13 BANS Fund, a decrease of \$755,865 in the Police Communications II Fund and a current year increase of \$2,116,390 in the Town's other governmental funds.
- At the close of the current fiscal year, unassigned fund balance of the General Fund was \$15,766,768 or 15.0% of total general fund expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.8 months of General Fund operating expenditures and other financing uses.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

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

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

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

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

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

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

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

**Fund Financial Statements**

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

***Governmental Funds***

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Waste Management Ordinance Fund, the Roads III 12-13 BANS Fund and the Police Communications II Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

**Fund Financial Statements (Continued)**

***Proprietary Funds***

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

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

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

***Fiduciary Funds***

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

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

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 through 59 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules which can be found on pages 60 through 62 and 63 through 91 of this report, respectively. Other supplementary information can be found on pages 92 through 96 of this report.

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

**Government-wide Financial Analysis**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town (governmental and business type activities combined) totaled \$183,259,772 and \$178,061,393 as of June 30, 2014 and 2013, respectively, and are summarized as follows:

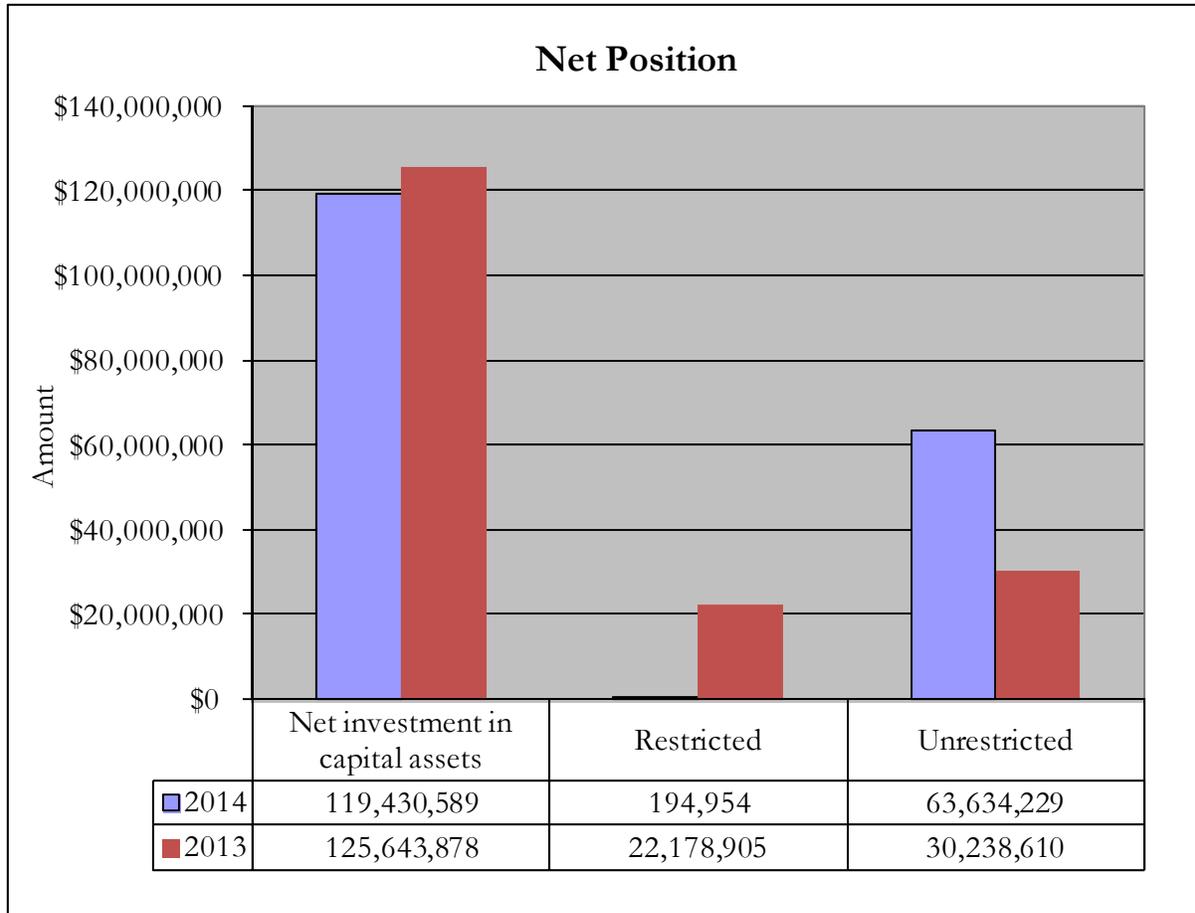
<b>Town of New Milford, Connecticut</b>			
<b>Net Position</b>			
<b>June 30, 2014</b>			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 75,277,199	\$ 4,063,886	\$ 79,341,085
Capital assets	133,811,767	42,243,723	176,055,490
Total assets	209,088,966	46,307,609	255,396,575
Deferred outflows of resources	306,563	-	306,563
Other liabilities	22,443,544	1,722,291	24,165,835
Long-term liabilities	25,250,769	23,026,762	48,277,531
Total liabilities	47,694,313	24,749,053	72,443,366
Net position:			
Net investment in capital assets	101,661,774	17,768,815	119,430,589
Restricted	194,954	-	194,954
Unrestricted	59,844,488	3,789,741	63,634,229
Total net position	\$ 161,701,216	\$ 21,558,556	\$ 183,259,772

<b>Town of New Milford, Connecticut</b>			
<b>Net Position</b>			
<b>June 30, 2013</b>			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 75,129,752	\$ 26,111,931	\$ 101,241,683
Capital assets	135,410,667	40,232,650	175,643,317
Total assets	210,540,419	66,344,581	276,885,000
Deferred outflows of resources	395,802	-	395,802
Other liabilities	45,661,202	1,282,111	46,943,313
Long-term liabilities	27,801,188	24,474,908	52,276,096
Total liabilities	73,462,390	25,757,019	99,219,409
Net position:			
Net investment in capital assets	110,837,753	14,806,125	125,643,878
Restricted	13,476	22,165,429	22,178,905
Unrestricted	26,622,602	3,616,008	30,238,610
Total net position	\$ 137,473,831	\$ 40,587,562	\$ 178,061,393

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

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

**Net Position (Continued)**



As of June 30, 2014, 65.2% of the Town's net position reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

Overall, net position increased during the current year by \$5,198,379 in comparison with the prior year.

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

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

**Changes in Net Position**

Changes in net position for the years ended June 30, 2014 and 2013 are as follows:

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 11,431,440	\$ 4,304,300	\$ 15,735,740
Operating grants and contributions	23,034,016	-	23,034,016
Capital grants and contributions	2,106,341	-	2,106,341
General revenues:			
Property taxes, levied for general purposes	74,383,450	-	74,383,450
Grants and contributions not restricted to specific programs	803,416	-	803,416
Income from investments	310,772	65,470	376,242
Total revenues	112,069,435	4,369,770	116,439,205
<b>Expenses</b>			
General government	11,414,589	-	11,414,589
Public safety	7,333,092	-	7,333,092
Public works	7,902,118	-	7,902,118
Health and welfare	2,572,232	-	2,572,232
Library	1,017,968	-	1,017,968
Culture and recreation	1,521,470	-	1,521,470
Education	75,046,534	-	75,046,534
Interest on long-term debt	1,185,626	575,637	1,761,263
Sewer	-	2,671,560	2,671,560
Total expenses	107,993,629	3,247,197	111,240,826
Change in net position before transfers	4,075,806	1,122,573	5,198,379
Transfers	20,151,579	(20,151,579)	-
Change in net position	24,227,385	(19,029,006)	5,198,379
Net position, beginning	137,473,831	40,587,562	178,061,393
Net position, ending	\$ 161,701,216	\$ 21,558,556	\$ 183,259,772

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

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

**Change in Net Position *(Continued)***

**Town of New Milford, Connecticut**  
**Changes in Net Position**  
**For The Year Ended June 30, 2013**

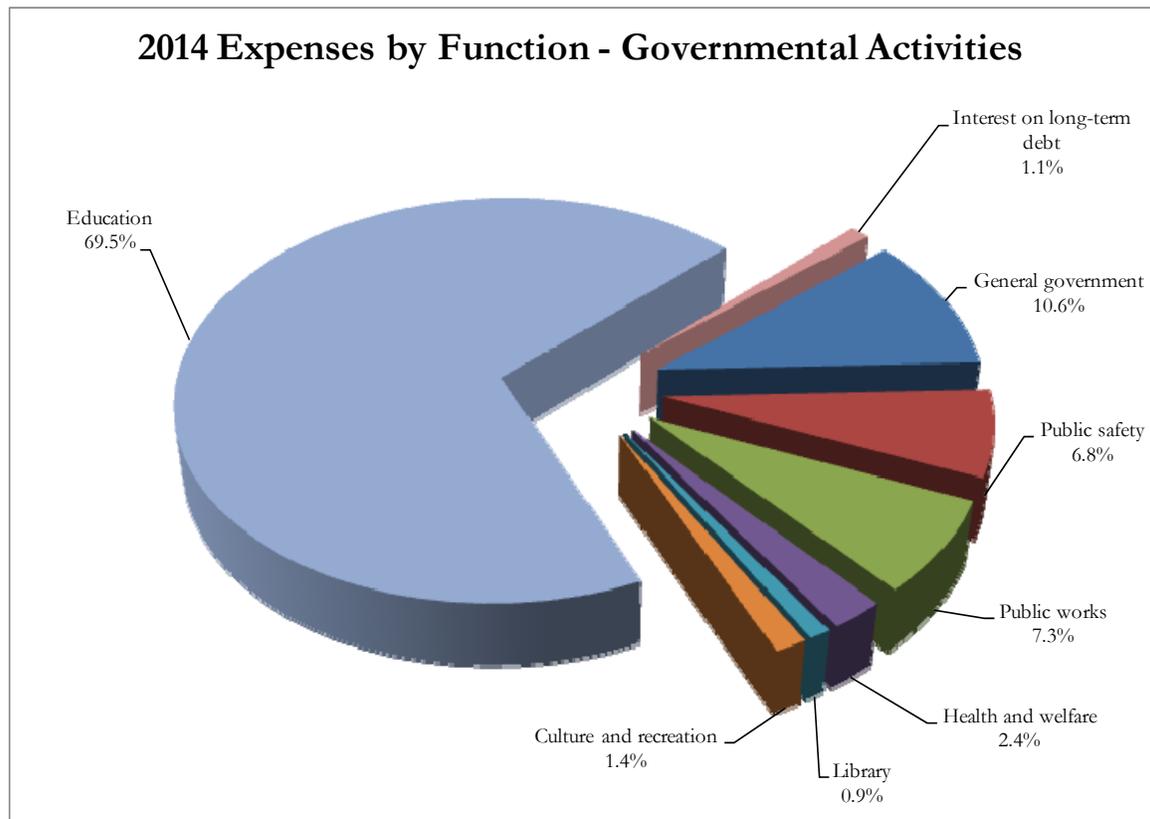
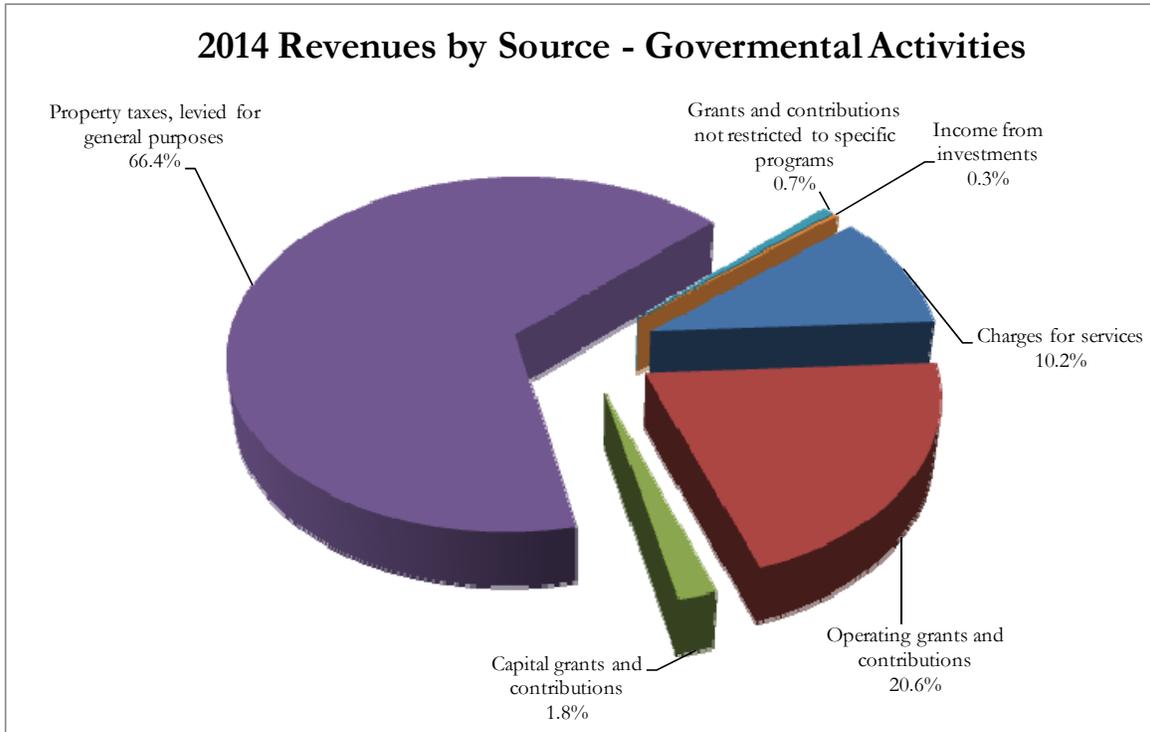
	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 10,883,926	\$ 2,037,106	\$ 12,921,032
Operating grants and contributions	22,392,341	-	22,392,341
Capital grants and contributions	1,238,198	-	1,238,198
General revenues:			
Property taxes, levied for general purposes	72,733,052	-	72,733,052
Grants and contributions not restricted to specific programs	1,386,290	-	1,386,290
Income from investments	253,475	55,620	309,095
Total revenues	<u>108,887,282</u>	<u>2,092,726</u>	<u>110,980,008</u>
<b>Expenses</b>			
General government	10,343,679	-	10,343,679
Public safety	7,118,001	-	7,118,001
Public works	8,950,539	-	8,950,539
Health and welfare	2,743,661	-	2,743,661
Library	1,052,298	-	1,052,298
Culture and recreation	1,666,361	-	1,666,361
Education	74,016,712	-	74,016,712
Interest on long-term debt	1,011,941	172,983	1,184,924
Sewer	-	2,554,407	2,554,407
Total expenses	<u>106,903,192</u>	<u>2,727,390</u>	<u>109,630,582</u>
Change in net position	1,984,090	(634,664)	1,349,426
Net position, beginning	135,489,741	41,222,226	176,711,967
Net position, ending	<u>\$ 137,473,831</u>	<u>\$ 40,587,562</u>	<u>\$ 178,061,393</u>

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

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

**Change in Net Position *(Continued)***



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

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

**Change in Net Position (Continued)**

***Governmental Activities***

Governmental activities increased the Town's net position by a current year change of \$24,227,385. This increase is mainly attributable the transfer of loan proceeds from the business-type activities in the amount of \$22,165,429 for the purpose of retiring outstanding bond anticipation notes relating to a sewer project. In addition, the Town benefited from an increase in property tax revenues over the prior fiscal year.

***Business-type Activities***

Business-type activities decreased the Town's net position by a current year change of \$19,029,006. This decrease is mainly attributable to the transfer of loan proceeds to the governmental activities in the amount of \$22,165,429. In addition, charges for services increased by approximately \$2,267,000 over the prior year due to new benefit assessments levied during the current year.

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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$26,207,376.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,766,768. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 15.0% of total General Fund expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.8 months of General Fund operating expenditures and other financing uses.

The fund balance of the Town's General Fund increased by \$2,123,770 during the current fiscal year, which was primarily due to favorable revenue and expenditure variances within the General Fund budget.

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

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

**Waste Management Fund**

The fund balance of the Waste Management Fund increased by \$1,015,994 during the current fiscal year. This increase was primarily due to proceeds received related to a long-term settlement receivable offset by transfers to the General Fund.

**Roads III 12-13 BANS Fund**

The fund balance of the Roads III 12-13 BANS Fund decreased by \$1,337,590 during the current fiscal year. The decrease was primarily attributable to current year capital outlays of \$1,338,158, which were funded by bond anticipation notes. Current year capital outlays were related to various ongoing road projects. The fund balance as of June 30, 2014 was a deficit of \$2,449,385 and is expected to be funded by future permanent financing sources.

**Police Communications II Fund**

The fund balance of the Police Communications II Fund decreased by \$755,865 during the current fiscal year. The decrease was primarily attributable to current year capital outlays of \$756,511, which were funded by bond anticipation notes. Current year capital outlays were related to improvements made to the Town's Police Communications system. The fund balance as of June 30, 2014 was a deficit of \$3,501,610 and is expected to be funded by future permanent financing sources.

**General Fund Budgetary Highlights**

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,269,329. Expenditures were \$1,127,854 less than budgeted. Total budgetary revenues were \$2,109,755 more than expected, primarily due to unbudgeted grant receipts from the State of Connecticut Town Aid Road program and Municipal Revenue Sharing program as well as better than expected tax collections. During the year ended June 30, 2014, the Town Council approved additional appropriations of \$1,924,414 from fund balance.

**Capital Asset and Debt Administration**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2014 totaled \$176,055,490 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, land improvements, and machinery and equipment. The total increase in the Town's investment in capital assets for the current fiscal year was \$412,173 or 0.2%. This increase consisted primarily of capital asset additions of approximately \$7.0 million, offset by depreciation expense of approximately \$6.5 million. Major capital asset events during the current fiscal year included the following:

- Capital transfer of the Route 7 Pump Station in the amount of approximately \$2.6 million from the Town to the Water Pollution Control Authority.
- Outlays for various road and bridge construction projects totaling approximately \$2.6 million.
- Outlays of \$740,804 pertaining to the Police Communications project.
- Outlays of \$449,672 pertaining to the Route 7 Pump Station project.
- Outlays for various machinery and equipment and vehicles totaling approximately \$2.4 million.

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

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

**Capital Assets (Continued)**

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

**Town of New Milford, Connecticut**  
**Capital Assets, Net**  
**June 30, 2014**

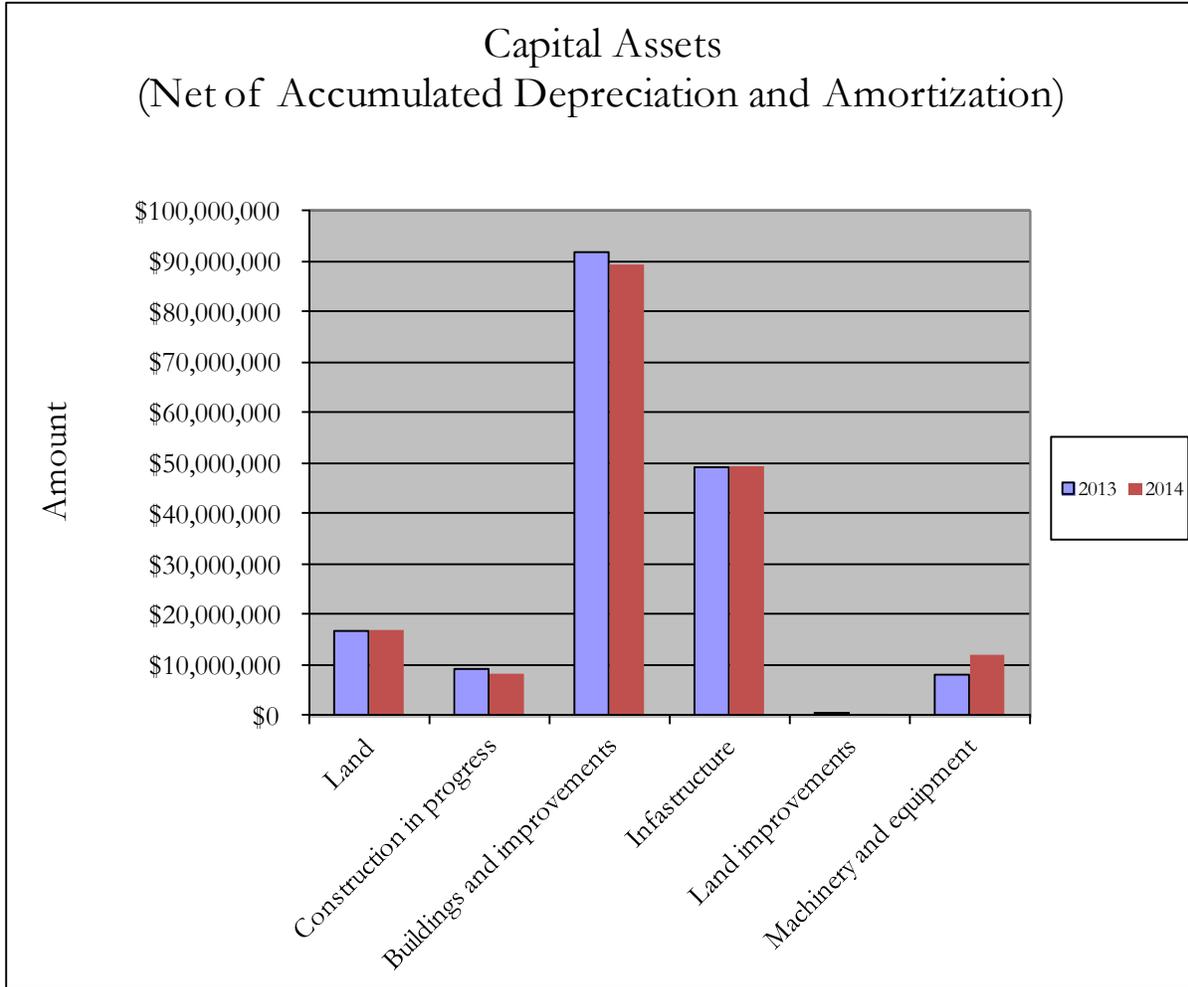
	Governmental Activities	Business-type Activities	Total
Land	\$ 16,778,689	\$ 5,000	\$ 16,783,689
Construction in progress	7,764,867	416,915	8,181,782
Buildings and improvements	61,138,819	28,221,086	89,359,905
Infrastructure	41,258,337	8,043,191	49,301,528
Land improvements	532,953	-	532,953
Machinery and equipment	6,338,102	5,557,531	11,895,633
Totals	<u>\$ 133,811,767</u>	<u>\$ 42,243,723</u>	<u>\$ 176,055,490</u>

**Town of New Milford, Connecticut**  
**Capital Assets, Net**  
**June 30, 2013**

	Governmental Activities	Business-type Activities	Total
Land	\$ 16,778,689	\$ 5,000	\$ 16,783,689
Construction in progress	9,037,972	173,909	9,211,881
Buildings and improvements	62,910,585	28,826,015	91,736,600
Infrastructure	40,841,022	8,261,727	49,102,749
Land improvements	573,834	-	573,834
Machinery and equipment	5,268,565	2,965,999	8,234,564
Totals	<u>\$ 135,410,667</u>	<u>\$ 40,232,650</u>	<u>\$ 175,643,317</u>

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

**Capital Assets (Continued)**



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

**Debt Administration**

At the end of the current fiscal year, the Town had total long-term and short-term bonds and notes payable of \$56,136,786. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total debt decreased by \$27,859,170 or 33.2% during the current fiscal year due primarily to the pay down of the \$35,050,000 bond anticipation note with proceeds from the issuance of a \$11,935,000 bond anticipation note and the use of \$22,165,429 in loan proceeds received in the prior year from the State of Connecticut Clean Water Fund program.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$522,587,401, which is in excess of the Town's outstanding general obligation debt.

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

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

**Debt Administration *(Continued)***

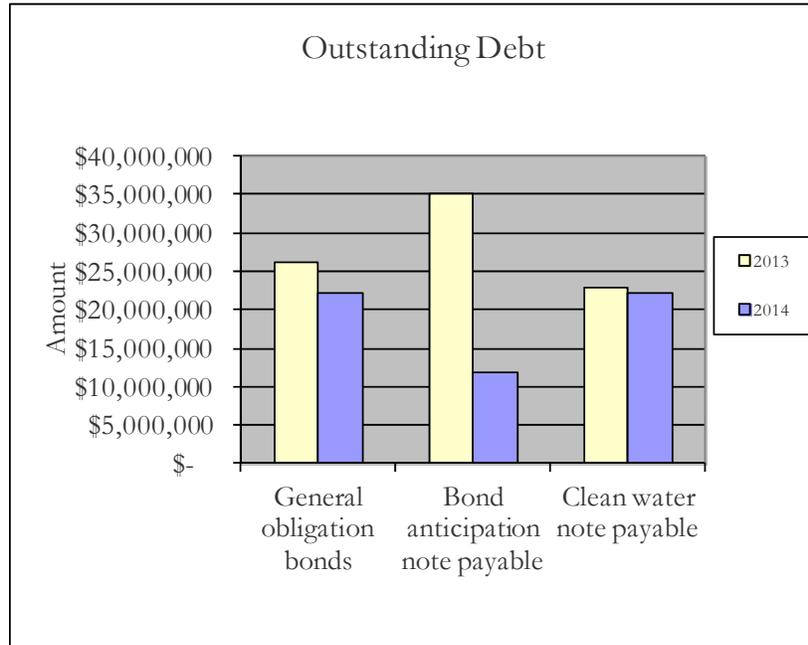
The following are tables of long-term bonded debt:

**Town of New Milford, Connecticut**  
**Long-term Debt**  
**June 30, 2014**

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 19,624,486	\$ 2,500,514	\$ 22,125,000
Bond anticipation note payable	11,935,000	-	11,935,000
Clean water note payable	102,392	21,974,394	22,076,786
Totals	<u>\$ 31,661,878</u>	<u>\$ 24,474,908</u>	<u>\$ 56,136,786</u>

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

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 23,347,816	\$ 2,777,184	\$ 26,125,000
Bond anticipation note payable	35,050,000	-	35,050,000
Clean water note payable	171,615	22,649,341	22,820,956
Totals	<u>\$ 58,569,431</u>	<u>\$ 25,426,525</u>	<u>\$ 83,995,956</u>



Additional information on the Town's long-term debt can be found in Note H and Note I of this report.

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

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

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

- The unemployment rate for the Town is currently 5.1%, which compares favorably to the state's average unemployment rate and the national unemployment rate.
- Unassigned fund balance of the General Fund totaled \$15,766,768 at June 30, 2014.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2015, the assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
  - Intergovernmental grants were based on estimates from the State. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2015 and thereafter.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2015.

**Requests for Information**

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

Basic  
Financial  
Statements

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,855,169	\$ 3,703,943	\$ 42,559,112
Investments	1,570,885	-	1,570,885
Receivables:			
Property taxes, net of allowance for uncollectible of \$175,000	2,254,477	-	2,254,477
Intergovernmental	1,859,485	-	1,859,485
Settlement	1,600,000	-	1,600,000
Interest on property taxes and assessments, net of allowance for uncollectible of \$208,000	527,753	-	527,753
Sewer user charges	-	193,648	193,648
Special assessments and connection fees	-	503,316	503,316
Other	621,733	-	621,733
Internal balances	3,865,525	(3,865,525)	-
Other	49,406	112,057	161,463
Noncurrent assets:			
Net pension asset	702,218	-	702,218
Receivables:			
Special assessments and connection fees	-	3,416,447	3,416,447
Intergovernmental	2,870,548	-	2,870,548
Settlement	20,500,000	-	20,500,000
Capital assets:			
Non-depreciable	24,543,556	421,915	24,965,471
Depreciable, net	109,268,211	41,821,808	151,090,019
Total assets	<u>209,088,966</u>	<u>46,307,609</u>	<u>255,396,575</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	306,563	-	306,563
<b>LIABILITIES</b>			
Accounts payable	4,346,756	36,291	4,383,047
Accrued liabilities:			
Salaries and benefits payable	407,175	12,862	420,037
Accrued interest	384,233	50,603	434,836
Other accrued liabilities	257,472	174,389	431,861
Unearned revenue	346,462	-	346,462
Bond anticipation note payable	11,935,000	-	11,935,000
Noncurrent liabilities:			
Due within one year	4,766,446	1,448,146	6,214,592
Due in more than one year	25,250,769	23,026,762	48,277,531
Total liabilities	<u>47,694,313</u>	<u>24,749,053</u>	<u>72,443,366</u>
<b>NET POSITION</b>			
Net investment in capital assets	101,661,774	17,768,815	119,430,589
Restricted for:			
Grant program purposes	99,076	-	99,076
Other purposes	95,878	-	95,878
Unrestricted	59,844,488	3,789,741	63,634,229
Total net position	<u>\$ 161,701,216</u>	<u>\$ 21,558,556</u>	<u>\$ 183,259,772</u>

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



**TOWN OF NEW MILFORD, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Waste Management Ordinance Fund	Roads III 12-13 BANS Fund	Police Communications II Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 18,860,912	\$ 8,283,468	\$ 85,615	\$ 144,097	\$ 8,581,134	\$ 35,955,226
Investments	-	-	-	-	1,570,885	1,570,885
Receivables:						
Property taxes, net of allowance for uncollectibles of \$175,000	2,254,477	-	-	-	-	2,254,477
Interest on property taxes, net of allowance for uncollectibles of \$208,000	527,753	-	-	-	-	527,753
Intergovernmental	31,093	-	-	-	612,472	643,565
Other	331,799	-	-	-	289,934	621,733
Due from other funds	4,387,513	-	-	-	-	4,387,513
Inventories	32,753	-	-	-	16,553	49,306
Prepaid items	-	-	-	-	100	100
Total assets	<u>\$ 26,426,300</u>	<u>\$ 8,283,468</u>	<u>\$ 85,615</u>	<u>\$ 144,097</u>	<u>\$ 11,071,078</u>	<u>\$ 46,010,558</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 779,966	\$ -	\$ -	\$ 15,707	\$ 169,974	\$ 965,647
Accrued liabilities:						
Salaries and benefits payable	407,175	-	-	-	-	407,175
Other	70,670	-	-	-	186,802	257,472
Due to other funds	2,821,007	-	-	-	521,988	3,342,995
Due to the State of Connecticut	-	-	-	-	12,968	12,968
Unearned revenue	301,068	-	-	-	45,394	346,462
Bond anticipation note payable	-	-	2,535,000	3,630,000	5,770,000	11,935,000
Total liabilities	<u>4,379,886</u>	<u>-</u>	<u>2,535,000</u>	<u>3,645,707</u>	<u>6,707,126</u>	<u>17,267,719</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes and interest	2,535,463	-	-	-	-	2,535,463
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable:	32,753	-	-	-	16,653	49,406
Restricted for:						
Capital purposes	-	-	71,570	124,132	1,526,500	1,722,202
Grant program purposes	-	-	-	-	99,076	99,076
Exernal	-	-	-	-	95,878	95,878
Committed	141,312	8,283,468	-	-	7,546,910	15,971,690
Assigned	3,570,118	-	-	-	-	3,570,118
Unassigned	15,766,768	-	(2,520,955)	(3,625,742)	(4,921,065)	4,699,006
Total fund balances (deficits)	<u>19,510,951</u>	<u>8,283,468</u>	<u>(2,449,385)</u>	<u>(3,501,610)</u>	<u>4,363,952</u>	<u>26,207,376</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 26,426,300</u>	<u>\$ 8,283,468</u>	<u>\$ 85,615</u>	<u>\$ 144,097</u>	<u>\$ 11,071,078</u>	<u>\$ 46,010,558</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

Total fund balances for governmental funds		\$ 26,207,376
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Land	\$ 16,778,689	
Construction in progress	7,764,867	
Buildings and improvements	93,730,622	
Infrastructure	103,638,758	
Land improvements	974,695	
Machinery and equipment	21,136,607	
Less accumulated depreciation and amortization	(110,212,471)	
Total capital assets, net		133,811,767
Annual required pension contributions not contributed or expected to be liquidated with expendable available resources are not reported as fund liabilities. Such liabilities are applicable to the Town's governmental activities and are reported in the statement of net position.		
		(2,466,641)
The net pension asset resulting from contributions in excess of the annual required contributions are not financial resources and, therefore, are not reported in the funds.		
		702,218
Some of the Town's taxes and interest will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.		
		2,535,463
Long-term receivables are not available soon enough to pay for the current periods expenditures and, therefore, are not reported in the funds:		
School construction receivable	4,086,468	
Settlement receivable	22,100,000	
		26,186,468
Long-term liabilities and related amounts applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and related amounts - both current and long-term - are reported in the statement of net position.		
Accrued interest payable	(384,233)	
Long-term debt:		
Bonds and note payable	(20,518,095)	
Deferred charges on refunding	306,563	
Other long-term liabilities:		
Capital lease obligations	(1,725,663)	
Compensated absences	(489,835)	
Early retirement obligations	(312,000)	
Pollution remediation obligation	(4,748,325)	
Net OPEB obligation	(2,223,297)	
Total long-term liabilities		(30,094,885)
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities statement of net position.		
		4,819,450
Net position of governmental activities		\$ 161,701,216

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Waste Management Ordinance Fund	Roads III 12-13 BANS Fund	Police Communications II Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 74,688,984	\$ -	\$ -	\$ -	\$ -	\$ 74,688,984
Intergovernmental	24,262,031	-	-	-	2,615,352	26,877,383
Charges for services	4,498,646	-	-	-	4,106,851	8,605,497
Investment earnings	39,668	11,718	568	646	258,059	310,659
Miscellaneous	-	1,600,000	-	-	301,854	1,901,854
Total revenues	<u>103,489,329</u>	<u>1,611,718</u>	<u>568</u>	<u>646</u>	<u>7,282,116</u>	<u>112,384,377</u>
<b>EXPENDITURES</b>						
Current:						
General government	10,732,936	-	-	-	18,632	10,751,568
Public safety	6,716,445	-	-	-	73,139	6,789,584
Public works	5,035,485	-	-	-	-	5,035,485
Health and welfare	2,508,706	-	-	-	23,148	2,531,854
Library	-	-	-	-	1,017,968	1,017,968
Culture and recreation	1,310,579	-	-	-	6,396	1,316,975
Education	66,335,339	-	-	-	5,514,831	71,850,170
Debt service:						
Principal payments	4,439,872	-	-	-	-	4,439,872
Interest and fiscal charges	1,139,310	-	-	-	222,879	1,362,189
Capital outlays	2,791,318	-	1,338,158	756,511	1,761,865	6,647,852
Total expenditures	<u>101,009,990</u>	<u>-</u>	<u>1,338,158</u>	<u>756,511</u>	<u>8,638,858</u>	<u>111,743,517</u>
Excess (deficiency) of revenues over expenditures	2,479,339	1,611,718	(1,337,590)	(755,865)	(1,356,742)	640,860
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease financing	1,801,702	-	-	-	-	1,801,702
Premium on bond anticipation notes	125,437	-	-	-	-	125,437
Transfers in	1,276,241	-	-	-	4,101,440	5,377,681
Transfers out	(3,558,949)	(595,724)	-	-	(628,308)	(4,782,981)
Total other financing sources (uses)	<u>(355,569)</u>	<u>(595,724)</u>	<u>-</u>	<u>-</u>	<u>3,473,132</u>	<u>2,521,839</u>
Net change in fund balances	2,123,770	1,015,994	(1,337,590)	(755,865)	2,116,390	3,162,699
Fund balances (deficits) - beginning	<u>17,387,181</u>	<u>7,267,474</u>	<u>(1,111,795)</u>	<u>(2,745,745)</u>	<u>2,247,562</u>	<u>23,044,677</u>
Fund balances (deficits) - ending	<u>\$ 19,510,951</u>	<u>\$ 8,283,468</u>	<u>\$ (2,449,385)</u>	<u>\$ (3,501,610)</u>	<u>\$ 4,363,952</u>	<u>\$ 26,207,376</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 3,162,699

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

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

Expenditures for capital assets	\$	6,521,381	
Depreciation and amortization expense		(5,532,177)	
Transfer of assets to Water Pollution Control Authority		(2,608,550)	
Net adjustment		(1,619,346)	(1,619,346)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds. (9,554)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 30,000

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

School construction receivable	(1,270,302)		
Settlement receivable		(1,600,000)	
		(2,870,302)	(2,870,302)

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

Debt issued or incurred:			
Capital lease financing	(1,801,702)		
Principal repayments:			
Bonds and note payable	3,792,553		
Capital lease financing	651,546		
Net adjustment		2,642,397	2,642,397

*(Continued)*

**TOWN OF NEW MILFORD, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Transfer of loan proceeds to the governmental activities from the business-type activities to repay debt does not appear in the governmental funds because the loan is considered to be long-term debt. \$ 22,165,429

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

Accrued interest	\$	57,804	
Bond premium amortization		82,561	
Deferred charges amortization		(89,239)	
Compensated absences		8,330	
Early retirement obligations		312,000	
Pollution remediation obligation		1,675	
Net OPEB obligation		(567,202)	
Net pension asset		105,458	
Pension contribution payable		<u>(267,912)</u>	(356,525)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are reported as deferred inflows of revenue in governmental funds. This amount represents the change in deferred inflows. (305,534)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities. 1,388,121

Change in net position of governmental activities \$ 24,227,385

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 74,016,913	\$ 74,016,913	\$ 74,688,984	\$ 672,071
Licenses and permits	546,000	546,000	585,665	39,665
Intergovernmental	15,014,037	15,027,708	15,912,408	884,700
Charges for goods and services	3,326,711	3,344,341	3,873,243	528,902
Investment earnings	55,000	55,000	39,417	(15,583)
Total revenues	<u>92,958,661</u>	<u>92,989,962</u>	<u>95,099,717</u>	<u>2,109,755</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,434,985	11,214,738	10,936,087	(278,651)
Public safety	6,264,826	6,530,974	6,362,588	(168,386)
Public works	4,972,988	5,236,050	5,185,579	(50,471)
Health and welfare	2,244,431	2,291,362	2,226,527	(64,835)
Culture and recreation	1,419,052	1,433,844	1,343,787	(90,057)
Education	59,634,148	59,634,148	58,953,586	(680,562)
Debt service:				
Principal payments	4,746,879	4,746,879	4,744,170	(2,709)
Interest and fiscal charges	1,427,747	1,427,747	1,688,747	261,000
Capital outlays	2,131,864	2,169,381	2,116,198	(53,183)
Total expenditures	<u>94,276,920</u>	<u>94,685,123</u>	<u>93,557,269</u>	<u>(1,127,854)</u>
Excess (deficiency) of revenues over expenditures	(1,318,259)	(1,695,161)	1,542,448	3,237,609
<b>OTHER FINANCING SOURCES (USES)</b>				
Premium on bond anticipation notes issued	-	-	125,437	125,437
Cancellation of prior year encumbrances	-	-	330,558	330,558
Appropriation of fund balance	500,000	2,424,414	-	(2,424,414)
Transfers out	(1,881,975)	(3,524,088)	(3,523,949)	139
Transfers in	2,700,234	2,794,835	2,794,835	-
Total other financing sources (uses)	<u>1,318,259</u>	<u>1,695,161</u>	<u>(273,119)</u>	<u>(1,968,280)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,269,329	<u>\$ 1,269,329</u>
Fund balance - beginning			<u>15,720,432</u>	
Fund balance - ending			<u>\$ 16,989,761</u>	

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	<u>Business-type Activities</u> <u>Water Pollution Control Authority</u>	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,703,943	\$ 2,899,943
Receivables:		
Sewer user charges	193,648	-
Connection fees	79,652	-
Assessments	423,664	-
Due from other funds	-	2,821,007
Inventories	112,057	-
Total current assets	<u>4,512,964</u>	<u>5,720,950</u>
Noncurrent assets:		
Receivables:		
Connection fees	80,223	-
Assessments	3,336,224	-
Capital assets:		
Non-depreciable	421,915	-
Depreciable, net	41,821,808	-
Total assets	<u>50,173,134</u>	<u>5,720,950</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	36,291	901,500
Accrued liabilities:		
Salaries and benefits payable	12,862	-
Accrued interest	50,603	-
Escrow deposits	144,095	-
Other	30,294	-
Current portion of bonds and notes payable	1,448,146	-
Due to other funds	3,865,525	-
Total current liabilities	<u>5,587,816</u>	<u>901,500</u>
Noncurrent liabilities:		
Long-term portion of bonds and notes payable	23,026,762	-
Total liabilities	<u>28,614,578</u>	<u>901,500</u>
<b>NET POSITION</b>		
Net investment in capital assets	17,768,815	-
Unrestricted	3,789,741	4,819,450
Total net position	<u>\$ 21,558,556</u>	<u>\$ 4,819,450</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water Pollution Control Authority</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services and premiums	\$ 4,304,300	\$ 12,798,941
Total operating revenues	<u>4,304,300</u>	<u>12,798,941</u>
<b>OPERATING EXPENSES</b>		
Personnel services	521,070	-
Employee benefits	335,894	-
Utilities	261,692	-
Laboratory	20,771	-
Maintenance and repairs	74,074	-
Process expense	349,474	-
Claims incurred	-	10,288,951
Administration	92,045	1,121,982
Depreciation and amortization	1,016,540	-
Total operating expenses	<u>2,671,560</u>	<u>11,410,933</u>
Operating income	1,632,740	1,388,008
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	65,470	113
Interest expense	(575,637)	-
Total non-operating income (expense)	<u>(510,167)</u>	<u>113</u>
Change in net position before transfers and capital contributions	1,122,573	1,388,121
Capital contribution - Town	2,608,550	-
Transfers out - Town	(22,760,129)	-
	<u>(20,151,579)</u>	<u>-</u>
Change in net position	(19,029,006)	1,388,121
Net position - beginning	<u>40,587,562</u>	<u>3,431,329</u>
Net position - ending	<u>\$ 21,558,556</u>	<u>\$ 4,819,450</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water Pollution Control Authority</u>	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for the following:		
Customers and users	\$ 2,724,106	\$ 13,085,065
Cash paid for the following:		
Personnel services	(524,224)	-
Employee benefits	(335,894)	-
Utilities	(261,692)	-
Laboratory	(20,771)	-
Maintenance and repairs	(78,269)	-
Process expense	(396,443)	-
Claims incurred	-	(10,257,351)
Administration	(92,045)	(1,121,982)
Net cash provided by operating activities	<u>1,014,768</u>	<u>1,705,732</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interfund activity	<u>316,608</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(419,325)	-
Sale of capital assets	262	-
Interest paid on capital debt	(581,863)	-
Principal paid on capital debt	(951,617)	-
Net cash used in capital and related financial activities	<u>(1,952,543)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>65,470</u>	<u>113</u>
Net increase (decrease) in cash and cash equivalents	(555,697)	1,705,845
Cash and cash equivalents, beginning of year	4,259,640	1,194,098
Cash and cash equivalents, end of year	<u>\$ 3,703,943</u>	<u>\$ 2,899,943</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 1,632,740	\$ 1,388,008
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,016,540	-
Changes in assets and liabilities:		
Increase in receivables	(1,580,194)	-
Increase in inventory	(4,195)	-
Decrease in accounts payable	(17,944)	-
Decrease in accrued payroll	(3,154)	-
Decrease in other accruals	(29,025)	-
Decrease in due from other funds	-	286,124
Increase in claims payable	-	31,600
Net cash provided by operating activities	<u>\$ 1,014,768</u>	<u>\$ 1,705,732</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<b>Pension and Other Post- Employment Benefits Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 230,924	\$ 66,676	\$ 2,497,700
Investments, at fair value:			
Pooled separate accounts	47,717,193	-	-
Mutual funds	-	58,054	769,477
Corporate bonds	-	-	196,012
Common stock	-	14,774	-
Employer contribution receivable	2,466,641	-	-
Total assets	<u>50,414,758</u>	<u>139,504</u>	<u>\$ 3,463,189</u>
<b>LIABILITIES</b>			
Accounts payable	-	193	-
Due to student groups	-	-	537,508
Due to others	-	-	2,925,681
Total liabilities	<u>-</u>	<u>193</u>	<u>\$ 3,463,189</u>
<b>NET POSITION</b>			
Held in trust for pension benefits and other purposes	<u>\$ 50,414,758</u>	<u>\$ 139,311</u>	

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
STATEMENT OF CHANGES  
IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

	<b>Pension and Other Post- Employment Benefits Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 2,466,641	\$ -
Plan members	297,706	-
Total contributions	<u>2,764,347</u>	<u>-</u>
Investment earnings:		
Interest	111	996
Net increase in the fair value of investments	6,845,411	7,493
Total investment earnings	<u>6,845,522</u>	<u>8,489</u>
Total additions	<u>9,609,869</u>	<u>8,489</u>
<b>DEDUCTIONS</b>		
Benefit payments	2,648,261	-
Awards expense	-	500
Administrative expenses	23,643	164
Total deductions	<u>2,671,904</u>	<u>664</u>
Change in net position	6,937,965	7,825
Net position - beginning	<u>43,476,793</u>	<u>131,486</u>
Net position - ending	<u>\$ 50,414,758</u>	<u>\$ 139,311</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2014

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

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

**Financial Reporting Entity**

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

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

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

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

**Fund Financial Statements**

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

The Town reports the following major governmental funds:

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

***Waste Management Ordinance Fund*** - This fund is used to account for monies set aside for the acquisition of land and building for public recreation, public education, or public library facilities. The major source of revenue for this fund is settlement proceeds from certain zoning violations relating to a municipal solid waste facility.

***Roads III 12-13 BANS Fund*** - This fund is used to account for the expenditures incurred in relation to the reconstruction and improvement of the various roads within the Town of New Milford.

***Police Communications II Fund*** - This fund is used to account for the expenditures incurred for emergency communication improvements. The appropriated funding was used to upgrade the communications system of the Town which broadened the coverage, eliminating "dead zones". Improvements were made through the construction of several antenna towers along with the purchase of communication systems and radios from Motorola.

The Town reports the following major proprietary funds:

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

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

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

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

***Agency Funds*** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activities funds, performance bond funds, fuel bank funds, community food bank funds, good samaritan funds, hope funds, firefighter funds, and flexible spending funds.

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

**Implementation of New Accounting Standard**

The Town has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, effective July 1, 2013. GASB Statement No. 67 replaced the requirements for GASB Statement No. 50, *Pension Disclosures*. The implementation of GASB Statement No. 67 resulted in changes to the disclosures and required supplementary information relating to the Town's defined benefit pension plan. The implementation of GASB Statement No. 67 had no impact on the Town's financial position or on the financial position of the Town's pension trust fund.

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

**Cash Equivalents**

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

**Investments**

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

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

**Inventories**

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

Property taxes are assessed as of October 1. Real estate and personal property taxes are billed in the following July and are due in two installments, July 1 and January 1. Motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest as of June 30, 2014 of \$175,000 and \$208,000, respectively.

Upon completion of projects, sewer assessments are levied to users. Once levied, annual assessments are made to users periodically throughout the year, based on the start date of the levy. Usage charges are billed semi-annually. Assessments and user charges are due and payable within 30 days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessments and usage charges are paid in full. Based on historical collection experience and other factors, an allowance for uncollectible assessments as of June 30, 2014 is not considered necessary.

**Loans Receivable**

The Town records loans receivable in both the government-wide and fund financial statements loan proceeds are advanced and records an allowance for uncollectible amounts based on historical experience and other factors.

**Capital Assets**

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$300 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Buildings and improvements	50
Improvements other than buildings	15 - 20
Machinery and equipment	5 - 15
Infrastructure	15 - 50

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

**Unearned Revenue**

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

**Deferred Outflows/Inflows of Resources**

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

Deferred inflows of resources represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and interest thereon. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Compensated Absences**

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

**Long-term Obligations**

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

**Net Position and Fund Balance**

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

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

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

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

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

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

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

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

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

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

***Net Position Flow Assumption***

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

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

***Fund Balance Flow Assumption***

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

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

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

**Interfund Services Provided and Used**

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

**Interfund Transfers**

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

**Interfund Reimbursements**

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Use of Estimates**

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

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

**Budgetary Information**

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

- The Mayor, with the approval of the Town Council, presents to the Board of Finance an annual budget by the third Tuesday in March. The Board of Finance holds one or more public hearings on the budget by the third Tuesday in April. Within fifteen days of the last public hearing, the Board of Finance approves the budget for submission to the annual Budget Meeting.
- The annual Budget Meeting adopts the budget by the second Tuesday in May, which provides for appropriations by major object of the following categories: personal services, contractual services, materials and supplies, fixed charges, capital outlays and revenues other than property taxes to be collected in the ensuing fiscal year.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established at the department level.
- Transfers of budgeted amounts between departments must be approved by the Board of Finance. Management may transfer amounts between line items within a department. The Board of Finance may approve additional appropriations for a department, provided such additional appropriations do not exceed, in the aggregate in any one year, an amount in excess of 1/5<sup>th</sup> of one mill per each one thousand dollars of the last completed Grand List. Appropriations in excess of the amount which the Board of Finance may approve must be approved by vote of a Town Meeting. During the year ended June 30, 2014, the Board of Finance and, where required, Town meetings approved additional appropriations from fund balance of \$1,924,414.
- Any portion of an annual appropriation remaining unexpended and unencumbered at the close of the fiscal year lapses unless continued upon recommendation of the Director of Finance and approved by the Board of Finance, except those for Capital Projects Funds. Appropriations for Capital Projects Funds are continued until completion of the applicable projects, which often last more than one fiscal year, but cannot exceed five years.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and “on-behalf” payments made by the State of Connecticut into the State Teachers’ Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

***Budgetary Information (Continued)***

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2014:

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing</u> <u>Uses, Net</u>	<u>Net Change</u> <u>in</u> <u>Fund Balance</u>
Budgetary basis	\$ 95,099,717	\$ 93,557,269	\$ (273,119)	\$ 1,269,329
"On-behalf" payments - State Teachers Retirement Fund <i>(see Note J)</i>	6,715,337	6,715,337	-	-
Changes in encumbrances	-	(1,004,140)	-	1,004,140
Cancellation of prior year encumbrances	-	(330,558)	(330,558)	-
Reimbursement for certain costs recorded as a reduction to expenditures for budgetary purposes	1,681,132	1,681,132	-	-
Certain items recorded as transfers for budgetary purposes	(7,158)	(1,710,752)	(1,703,594)	-
Volunteer Fire Fund	301	300,000	150,000	(149,699)
Noncash capital lease financing activity	-	1,801,702	1,801,702	-
GAAP basis	<u>\$ 103,489,329</u>	<u>\$ 101,009,990</u>	<u>\$ (355,569)</u>	<u>\$ 2,123,770</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2014

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

**Expenditures Which Exceed Appropriations**

As discussed above, the legal level of control at which expenditures may not legally exceed appropriations is at the department level. During the year ended June 30, 2014, expenditures exceeded appropriations in the following amounts:

Department	Amount
Interest and fiscal charges	\$ 261,000

**Deficit Fund Balances**

The following funds have deficit fund balances as of June 30, 2014, none of which constitutes a violation of statutory provisions:

Fund	Amount
Police Communications II Fund	\$ 3,501,610
Roads III 12-13 BANS Fund	2,449,385
Route 7 Pump Station 12-13 BANS Fund	2,256,518
Bridge Dam & Fueling Station Fund	728,562
Capital Road Project Fund	405,263
Federal Asset Forfeiture Fund	3,353
Drug Education Prevention Fund	869

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

**NOTE C - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash deposits as of June 30, 2014 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 42,559,112
Statement of fiduciary net position:	
Cash and cash equivalents	2,795,300
	45,354,412
Less: cash equivalents considered investments for disclosure purposes	(12,827,233)
	\$ 32,527,179

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$31,741,285 of the Town's bank balance of \$33,218,692 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,567,156
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	3,174,129
	\$ 31,741,285

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

***Cash Deposits (Continued)***

***Custodial Credit Risk (Continued)***

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

***Investments***

A reconciliation of the Town's investments as of June 30, 2014 is as follows:

Government-wide statement of net position:		
Investments	\$	1,570,885
Statement of fiduciary net position:		
Investments		48,755,510
		50,326,395
Add: cash equivalents considered investments for disclosure purposes		12,827,233
		\$ 63,153,628

As of June 30, 2014, the Town's investments consist of the following:

Investment type	Credit Rating	Fair Value	Investment Maturities (In Years)	
			Less Than 1	1 to 5
<b>Debt Securities:</b>				
Pooled fixed income accounts - STIF	AAA	\$ 9,764,437	9,764,437	\$ -
Pooled fixed income accounts - CLASS	AAA	2,955,705	2,955,705	-
Corporate bonds	AAA	11,416	-	11,416
Corporate bonds	AA	27,561	-	27,561
Corporate bonds	AA-	26,408	-	26,408
Corporate bonds	A-	46,643	-	46,643
Corporate bonds	A+	28,718	-	28,718
Corporate bonds	A	44,678	-	44,678
Corporate bonds	BBB	10,588	-	10,588
Money market mutual funds	Unrated	107,091	107,091	-
		13,023,245	\$ 12,827,233	\$ 196,012
<b>Other investments:</b>				
Pooled separate accounts		47,717,193		
Equity mutual funds		2,398,416		
Common stock		14,774		
		\$ 63,153,628		

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Investments *(Continued)***

**Interest Rate Risk**

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

**Credit Risk**

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

The Town's investments in pooled fixed income accounts and corporate bonds, whose ratings are required to be disclosed, were rated by Standard & Poor's as presented above.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk at June 30, 2014, as they are held by a trustee in the Town's name.

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. More than 5 percent of the Town's investments are in pooled fixed income accounts and pooled separate accounts. Investments in this type of account are not subject to concentrations of credit risk as they are considered diversified by nature.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

**NOTE D - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2014 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 16,778,689	\$ -	\$ -	\$ -	\$ 16,778,689
Construction in progress	9,037,972	3,762,361	-	(5,035,466)	7,764,867
Total capital assets, not being depreciated	<u>25,816,661</u>	<u>3,762,361</u>	<u>-</u>	<u>(5,035,466)</u>	<u>24,543,556</u>
Capital assets, being depreciated:					
Buildings and improvements	93,607,918	122,704	-	-	93,730,622
Infrastructure	100,947,895	263,947	-	2,426,916	103,638,758
Land improvements	1,067,257	11,198	(103,760)	-	974,695
Machinery and equipment	19,202,565	2,391,171	(457,129)	-	21,136,607
Total capital assets, being depreciated	<u>214,825,635</u>	<u>2,789,020</u>	<u>(560,889)</u>	<u>2,426,916</u>	<u>219,480,682</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	30,697,333	1,894,470	-	-	32,591,803
Infrastructure	60,106,873	2,273,548	-	-	62,380,421
Land improvements	493,423	52,079	(103,760)	-	441,742
Machinery and equipment	13,934,000	1,312,080	(447,575)	-	14,798,505
Total accumulated depreciation and amortization	<u>105,231,629</u>	<u>5,532,177</u>	<u>(551,335)</u>	<u>-</u>	<u>110,212,471</u>
Total capital assets, being depreciated, net	<u>109,594,006</u>	<u>(2,743,157)</u>	<u>(9,554)</u>	<u>2,426,916</u>	<u>109,268,211</u>
Governmental activities capital assets, net	<u>\$ 135,410,667</u>	<u>\$ 1,019,204</u>	<u>\$ (9,554)</u>	<u>\$ (2,608,550)</u>	<u>\$ 133,811,767</u>

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

Governmental Activities:	
General government	\$ 149,623
Public safety	414,227
Public works	2,750,137
Health and welfare	41,148
Culture and recreation	131,950
Education	<u>2,045,092</u>
Total depreciation and amortization expense - governmental activities	<u>\$ 5,532,177</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2014**

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

Capital asset activity for business-type activities for the year ended June 30, 2014 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	173,909	309,008	-	(66,002)	416,915
Total capital assets, not being depreciated	<u>178,909</u>	<u>309,008</u>	<u>-</u>	<u>(66,002)</u>	<u>421,915</u>
Capital assets, being depreciated:					
Buildings and improvements	29,567,627	-	(16,429)	-	29,551,198
Infrastructure	10,517,060	-	(85,829)	-	10,431,231
Machinery and equipment	4,924,965	110,317	(10,311)	2,674,552	7,699,523
Total capital assets, being depreciated	<u>45,009,652</u>	<u>110,317</u>	<u>(112,569)</u>	<u>2,674,552</u>	<u>47,681,952</u>
Less accumulated depreciation and amortization for:					
Buildings and improvements	741,612	603,662	(15,162)	-	1,330,112
Infrastructure	2,255,333	218,536	(85,829)	-	2,388,040
Machinery and equipment	1,958,966	194,342	(11,316)	-	2,141,992
Total accumulated depreciation and amortization	<u>4,955,911</u>	<u>1,016,540</u>	<u>(112,307)</u>	<u>-</u>	<u>5,860,144</u>
Total capital assets, being depreciated, net	<u>40,053,741</u>	<u>(906,223)</u>	<u>(262)</u>	<u>2,674,552</u>	<u>41,821,808</u>
Business-type activities capital assets, net	<u>\$ 40,232,650</u>	<u>\$ (597,215)</u>	<u>\$ (262)</u>	<u>\$ 2,608,550</u>	<u>\$ 42,243,723</u>

**NOTE E - SETTLEMENT RECEIVABLE**

The Town executed a twenty-four year settlement agreement dated September 21, 1998 in the amount of \$43,100,000 in connection with certain zoning violations relating to a municipal solid waste facility. Annual installments are due to the Town in various amounts, as stipulated in the settlement agreement. The balance of the settlement receivable as of June 30, 2014 totaled \$22,100,000. Future annual installments collectible under the settlement agreement are as follows as of June 30, 2014:

<u>Year ending June 30:</u>	<u>Amount</u>
2015	\$ 1,600,000
2016	1,600,000
2017	2,700,000
2018	2,700,000
2019	2,700,000
2020-2023	<u>10,800,000</u>
	<u>\$ 22,100,000</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

**NOTE F - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds:</b>		
General Fund	Water Pollution Control Authority	\$ 3,865,525
	Other governmental funds	521,988
		<u>\$ 4,387,513</u>
<b>Proprietary Funds:</b>		
Internal Service Fund	General Fund	<u>\$ 2,821,007</u>

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

**NOTE G - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Water Pollution Control Authority	\$ 244,700
	Waste Management Ordinance Fund	595,724
	Other governmental funds	435,817
		<u>1,276,241</u>
Other governmental funds	General Fund	3,558,949
	Other governmental funds	192,491
	Water Pollution Control Authority	350,000
		<u>4,101,440</u>
		<u>\$ 5,377,681</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

**NOTE H - BOND ANTICIPATION NOTES PAYABLE**

In July 2013, the Town retired \$35,050,000 in bond anticipation notes payable through the issuance of a new \$11,935,000 bond anticipation note payable and the proceeds from the \$22,165,429 Clean Water Fund loan. The note bears a coupon rate of 1.25% and matured in July 2014. The purpose of the note was to provide short-term financing to fund ongoing construction projects. The following is a summary of changes in short-term debt for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Bond anticipation notes payable	\$ 35,050,000	\$ 11,935,000	\$ (35,050,000)	\$ 11,935,000
	<u>\$ 35,050,000</u>	<u>\$ 11,935,000</u>	<u>\$ (35,050,000)</u>	<u>\$ 11,935,000</u>

**NOTE I - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 23,347,816	\$ -	\$ (3,723,330)	\$ 19,624,486	\$ 3,688,329
Unamortized premium	873,778	-	(82,561)	791,217	-
Total bonds payable	<u>24,221,594</u>	<u>-</u>	<u>(3,805,891)</u>	<u>20,415,703</u>	<u>3,688,329</u>
Other liabilities:					
Notes payable	171,615	-	(69,223)	102,392	69,223
Capital leases	575,507	1,801,702	(651,546)	1,725,663	461,686
Compensated absences	498,165	26,665	(34,995)	489,835	235,208
Early retirement obligations	624,000	-	(312,000)	312,000	312,000
Pollution remediation obligation	4,750,000	-	(1,675)	4,748,325	-
Net OPEB obligation	1,656,095	567,202	-	2,223,297	-
	<u>\$ 32,496,976</u>	<u>\$ 2,395,569</u>	<u>\$ (4,875,330)</u>	<u>\$ 30,017,215</u>	<u>\$ 4,766,446</u>
<b>Business-type Activities</b>					
General obligation bonds	\$ 2,777,184	\$ -	\$ (276,670)	\$ 2,500,514	\$ 276,671
Notes payable	22,649,341	-	(674,947)	21,974,394	1,171,475
	<u>\$ 25,426,525</u>	<u>\$ -</u>	<u>\$ (951,617)</u>	<u>\$ 24,474,908</u>	<u>\$ 1,448,146</u>

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**General Obligation Bonds and Notes Payable**

A summary of general obligation bonds and note payable outstanding at June 30, 2014 is as follows:

<u>Purpose of Bonds</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>					
Bonds Payable					
General Obligation Bonds	2004	\$ 11,162,645	2.0% - 5.0%	2017	\$ 3,706,590
General Obligation Bonds	2004	6,472,120	2.0% - 5.0%	2020	3,627,896
General Obligation Bonds	2008	16,963,000	4.0% - 5.0%	2028	9,145,000
General Obligation Bonds	2010	3,865,000	2.0% - 4.0%	2030	3,145,000
					<u>19,624,486</u>
Notes Payable					
State of Connecticut Clean Water Fund	1996	1,682,814	2.0%	2015	102,392
					<u>\$ 19,726,878</u>
<b>Business-type Activities</b>					
Bonds Payable					
General Obligation Bonds	2004	\$ 170,235	2.0% - 5.0%	2017	\$ 60,514
General Obligation Bonds	2004	4,630,000	2.0% - 5.0%	2024	2,315,000
General Obligation Bonds	2008	242,000	4.0% - 5.0%	2019	125,000
					<u>2,500,514</u>
Notes Payable					
State of Connecticut Clean Water Fund	2013	22,165,429	2.0%	2033	21,683,469
State of Connecticut Clean Water Fund	1996	3,561,394	2.0%	2015	290,925
					<u>21,974,394</u>
					<u>\$ 24,474,908</u>

Annual debt service requirements to maturity on general obligation bonds and the notes payable are as follows as of June 30, 2014:

<u>Year ending</u>	<u>Governmental Activities</u>				
	<u>Bonds Payable</u>		<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
<u>June 30:</u>					
2015	\$ 3,688,329	\$ 802,278	\$ 69,223	\$ 1,441	\$ 4,561,271
2016	3,678,329	641,761	33,169	195	4,353,454
2017	3,673,328	480,857	-	-	4,154,185
2018	2,443,500	311,096	-	-	2,754,596
2019	2,373,500	202,156	-	-	2,575,656
2020-2024	2,217,500	460,878	-	-	2,678,378
2025-2029	1,250,000	174,697	-	-	1,424,697
2030	300,000	11,157	-	-	311,157
	<u>\$ 19,624,486</u>	<u>\$ 3,084,880</u>	<u>\$ 102,392</u>	<u>\$ 1,636</u>	<u>\$ 22,813,394</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

Year ending June 30:	Business-type Activities				
	Bonds Payable		Notes Payable		Total
	Principal	Interest	Principal	Interest	
2015	\$ 276,671	\$ 110,407	\$ 1,171,475	\$ 428,753	\$ 1,987,306
2016	276,671	96,823	1,096,176	405,552	1,875,222
2017	276,672	83,240	1,018,387	384,833	1,763,132
2018	256,500	69,531	1,038,943	364,278	1,729,252
2019	256,500	59,021	1,059,913	343,307	1,718,741
2020-2024	1,157,500	148,912	5,629,239	1,386,864	8,322,515
2025-2029	-	-	6,220,752	795,349	7,016,101
2030-2033	-	-	4,739,509	171,766	4,911,275
	<u>\$ 2,500,514</u>	<u>\$ 567,934</u>	<u>\$ 21,974,394</u>	<u>\$ 4,280,702</u>	<u>\$ 29,323,544</u>

**Clean Water Funds**

The State of Connecticut Department of Environmental Protection has provided Clean Water financing in the form of two serial notes to the Town of New Milford for sewer system upgrades under projects CWF 292-C and CWF 143-C. The Town continues to repay this debt with a 2% interest rate directly to the State of Connecticut.

**School Bond Reimbursements**

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for the year ended June 30, 2014 was \$1,270,302. Additional reimbursements of principal and interest aggregating \$3,814,487 and \$271,981, respectively, are expected to be received through the applicable bonds' maturity dates. The Town has recorded a receivable relating to the principal and interest portion of these payments in the accompanying statement of net position. Remaining amounts will be realized by the Town through fiscal year 2020.

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$522,587,401 as of June 30, 2014. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2014.

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2014

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

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2014:

	<b>Governmental Activities</b>
Equipment	\$ 2,966,800
Less: accumulated amortization	310,609
	<b>\$ 2,656,191</b>

Amortization expense relative to leased property under capital leases totaled \$179,333 for the year ended June 30, 2014 and is included in depreciation and amortization expense disclosed in Note D.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014 is as follows:

	<b>Governmental Activities</b>
Year Ending June 30:	
2015	\$ 485,926
2016	292,876
2017	223,264
2018	182,931
2019	116,066
Thereafter	464,264
Total minimum lease payments	1,765,327
Less: amount representing interest	39,664
Present value of minimum lease payments	<b>\$ 1,725,663</b>

**Early Retirement Obligations**

The Town provides early retirement incentives to certain contracted certified employees who have attained the age of 50 and who have completed at least 15 years of service with the Town. The provisions of the plan are based on union contract and the discretion of the Board of Education, when the contract expires.

Payments for the early retirement incentive program totaled \$312,000 for the year ended June 30, 2014. These payments are funded on an annual basis by General Fund appropriations. The remaining payments to be made to participants in the early retirement incentive program at June 30, 2014 total \$312,000 and are expected to be paid in full during fiscal year 2015.

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Pollution Remediation Obligation**

Pursuant to local laws, the Town has recorded a liability of \$4,748,325 for remediation at the Century Enterprise Center. Management has estimated this liability based on the current understanding of the site and experience and discussion with contractors. This amount has been recorded as a liability in the government-wide financial statements.

Amounts provided for pollution remediation are based on current costs. These costs may be adjusted each year due to changes in the remediation plan, inflation or deflation, technology, or applicable laws or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

**NOTE J - EMPLOYEE RETIREMENT PLANS**

**Pension Trust Fund**

**Plan Description**

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

*Plan membership* - All full time employees eligible to participate in the plan become a plan participant with their date of hire. Membership of the Plan consisted of the following as of July 1, 2013, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	184
Terminated plan members entitled to but not yet receiving benefits	85
Active plan members	<u>423</u>
	<u><u>692</u></u>

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

**Plan Description *(Continued)***

*Benefits provided (Continued) -*

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

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

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

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

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

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

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

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

**Summary of Significant Accounting Policies**

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

*Investments* - Investments are recorded at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the mean of the most recent bid and asked process as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are value at their fair values as determined by the custodian under the direction of the Town, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

*Concentrations* - More than 5 percent of the investments are in pooled separate accounts. Investments in this type of account are considered diversified by nature.

*Rate of return* - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was approximately 15.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Asset and Net Pension Liability**

The Town has not yet implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which is effective for fiscal years beginning after June 15, 2014. GASB Statement No. 68 will require the Town to record the net pension liability of its Pension Plan in its government-wide financial statements. The net pension liability has been disclosed below in accordance with the implementation of GASB Statement No. 67. The Town continues to apply the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which requires the employers to recognize a net pension asset or obligation in its government-wide financial statements based on the cumulative difference between the annual pension cost and the amounts contributed to the plan.

The following presents the Town's net pension asset as of June 30, 2014 and the related change in the net pension asset for the year ended June 30, 2014:

Annual required contribution	\$ 2,348,968
Interest on net pension obligation	(47,741)
Adjustment to annual required contribution	59,956
Annual pension cost	2,361,183
Contributions made	2,466,641
Increase in net pension asset	(105,458)
Net pension asset, beginning of year	(596,760)
Net pension asset, end of year	<u>\$ (702,218)</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2014

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

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

**Net Pension Asset and Net Pension Liability *(Continued)***

The components of the net pension liability of the Town's Plan at June 30, 2014, were as follows:

Total pension liability	\$ 57,654,950
Plan fiduciary net position	<u>50,183,835</u>
Net pension liability	<u><u>\$ 7,471,115</u></u>

Plan fiduciary net position as a percentage of the total pension liability	87.04%
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*Actuarial assumptions* - The total pension liability for the Town was determined by an actuarial valuation as of July 1, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.50%
Salary increases	4.50%
Investment rate of return	8.00%
Discount rate	8.00%

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

	June 30, 2014	Target	Long-term
Asset Class	Asset Allocation	Allocation	Expected Real Rate of Return
Domestic Equity	29.83%	30.00%	11.33%
International Equity	9.86%	10.00%	9.04%
Fixed Income	50.21%	50.00%	2.95%
Real Estate/Other	4.93%	5.00%	6.85%
Cash	5.17%	5.00%	0.50%
	<u>100.00%</u>	<u>100.00%</u>	

*Discount rate* - The discount rate used to measure the total Town pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2014

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

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

**Net Pension Asset and Net Pension Liability *(Continued)***

*Discount rate (Continued)* - Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Town's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate* - The following presents the net pension liability of the Town, calculated using the discount rate of 8.00% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1- percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Net pension liability as of June 30, 2014	\$ 13,909,402	\$ 7,471,115	\$ 2,041,234

**Teacher's Retirement System**

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

Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual Town basis. For the year ended June 30, 2014, Town teachers contributed \$1,963,945 to the plan and covered payroll for the year was \$27,088,897.

The Town has reported "on-behalf" payments of \$6,715,337 made by the State of Connecticut into the plan as intergovernmental revenues and education expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

**NOTE K - DEFERRED COMPENSATION PLAN**

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

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Plan Description**

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

**Summary of Significant Accounting Policies**

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

Investments are recorded at fair value. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

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

**Plan Provisions**

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

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

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

**Funding Policy**

Contribution requirements of the plan members and the Town are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. For fiscal year 2014, plan member contributions totaled \$250,056. The Town is funding these benefits in an Other Post-Employment Benefits Trust Fund.

**TOWN OF NEW MILFORD, CONNECTICUT**  
 NOTES TO FINANCIAL STATEMENTS *(Continued)*  
 JUNE 30, 2014

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

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$ 1,113,771
Interest on net OPEB obligation	132,488
Adjustment to annual required contribution	<u>(103,293)</u>
Annual OPEB cost (expense)	1,142,966
Contributions made	<u>575,764</u>
Increase in net OPEB obligation	567,202
Net OPEB obligation, beginning of year	<u>1,656,095</u>
Net OPEB obligation, end of year	<u><u>\$ 2,223,297</u></u>

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

Year Ended	Annual OPEB Cost	Actual Contribution	Allocation for Implicit Rate Subsidy	Total Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30	(A)	(B)	(C)	(B+C)	(B+C)/(A)	
2012	\$ 1,190,474	\$ 1,041,000	N/A	\$ 1,041,000	87.4%	\$ 1,143,812
2013	1,135,698	134,240	489,175	623,415	54.9%	1,656,095
2014	1,142,966	250,056	325,708	575,764	50.4%	2,223,297

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2012	\$ 235,000	\$ 11,987,076	\$ 11,752,076	2.0%	N/A	N/A

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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

**Funded Status and Funding Progress *(Continued)***

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

**Actuarial Methods and Assumptions**

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

Valuation date:	July 1, 2012
Actuarial cost method:	Projected Unit Credit Cost
Amortization method:	Level Percent
Remaining amortization period:	30 years, closed
Asset valuation method:	N/A
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.50%
Healthcare cost trend rate	6.1% initial
	4.7% final

**NOTE M - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. During fiscal year 2014, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

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

**TOWN OF NEW MILFORD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
 JUNE 30, 2014

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

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2014. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

A summary of claims activity for the years ended June 30, 2014, 2013 and 2012 are as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2012	\$ 1,392,909	\$11,561,198	\$11,914,707	\$ 1,039,400
2013	1,039,400	10,874,046	11,043,546	869,900
2014	869,900	10,288,951	10,257,351	901,500

The Town is a member of the Connecticut Interlocal Risk Management Agency (“CIRMA”), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities (“CCM”) for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes. The Town is a member of CIRMA’s worker’s compensation pool, a risk sharing pool, which commenced operations on July 1, 1980. The worker’s compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Worker’s Compensation Act. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

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

**NOTE N - FUND BALANCE**

Fund balance of the governmental funds has been committed to the following purposes as of June 30, 2014:

	General Fund	Waste Management Ordinance Fund	Other Governmental Funds	Total Governmental Funds
Public safety	\$ -	\$ -	\$ 11,129	\$ 11,129
Public Works	-	-	185,955	185,955
Health and welfare	-	-	30,705	30,705
Library	-	-	1,695,955	1,695,955
Culture and recreation	-	-	29,229	29,229
Education	-	-	755,815	755,815
Capital purposes	-	8,283,468	4,838,122	13,121,590
Volunteer fire	141,312	-	-	141,312
	<u>\$ 141,312</u>	<u>\$ 8,283,468</u>	<u>\$ 7,546,910</u>	<u>\$ 15,971,690</u>

**TOWN OF NEW MILFORD, CONNECTICUT**  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2014

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**NOTE N - FUND BALANCE**

Fund balance of the governmental funds has been assigned to the following purposes as of June 30, 2014:

	<b>General Fund</b>
Subsequent appropriations	\$ 1,064,803
General government	207,416
Public safety	35,527
Public works	258,322
Health and welfare	22,459
Culture and recreation	55,250
Education	1,091,899
Capital purposes	709,005
Debt service	125,437
	<b>\$ 3,570,118</b>

**NOTE O - COMMITMENTS AND CONTINGENCIES**

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

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

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

**NOTE P - SUBSEQUENT EVENT**

In July 2014, the \$11,935,000 bond anticipation note outstanding as of June 30, 2014 matured and was retired with proceeds from the issuance of a \$10,905,000 bond anticipation note. The \$10,905,000 bond anticipation note bears an interest rate of 0.75% and matures in July 2015.

**NOTE Q - RECENTLY ISSUED ACCOUNTING STANDARDS**

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

Required  
Supplementary  
Information

**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY - UNAUDITED**  
**JUNE 30, 2014**

	2014
<b>Total pension liability</b>	
Service cost	\$ 1,148,927
Interest	4,353,434
Changes in benefit terms	-
Differences between expected and actual experience	(327,779)
Changes of assumptions	-
Benefit payments, including refunds	(2,648,260)
Net change in total pension liability	2,526,322
Total pension liability - beginning	55,128,628
Total pension liability - ending	57,654,950
 <b>Plan fiduciary net position</b>	
Contributions - employer	2,466,641
Contributions - members	297,706
Net investment income	6,845,411
Benefit payments, including refunds	(2,648,260)
Administrative expense	(21,352)
Net change in plan fiduciary net position	6,940,146
Plan fiduciary net position - beginning	43,243,689
Plan fiduciary net position - ending	50,183,835
 <b>Town's net pension liability</b>	 \$ 7,471,115
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	 87.04%
 <b>Covered employee payroll</b>	 \$ 19,064,620
 <b>Town's net pension liability as a percentage of covered employee payroll</b>	 39.19%

**Notes to Schedule:**

**Benefit Changes**                      None noted

**Assumption Changes**              None noted

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



**TOWN OF NEW MILFORD, CONNECTICUT**  
**SCHEDULES OF FUNDING PROGRESS - UNAUDITED**  
 JUNE 30, 2014

<b>Other Post-Employment Benefits Plan</b>						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2007	\$ -	\$ 11,021,000	\$ 11,021,000	0.0%	N/A	N/A
July 1, 2008	-	11,144,000	11,144,000	0.0%	N/A	N/A
July 1, 2010	-	12,899,000	12,899,000	0.0%	N/A	N/A
July 1, 2012	235,000	11,987,076	11,752,076	2.0%	N/A	N/A

*See accompanying Independent Auditor's Report.*