



April 19, 2016

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: CITY OF MILFORD, CONNECTICUT  
\$13,095,000 General Obligation Bond Anticipation Notes  
(Book-Entry-Only)**

**Par Amount: \$13,095,000  
Dated: May 9, 2016  
Due: November 7, 2016  
Date of Sale: Tuesday, April 26, 2016  
Time of Sale: 11:30 A.M. (Eastern Time)**

As per the Notice of Sale, proposals may be submitted electronically via *PARITY* or by telephone on Tuesday, April 26, 2016. 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 electronically via *PARITY* or by telephone at **(203) 783-3201 no later than 11:30 A.M. (Eastern Time) on Tuesday, April 26, 2016.**

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

The General Purpose Financial Statements have been excerpted from the Comprehensive Annual Financial Report of the City of Milford, Connecticut as of June 30, 2015 and are included in this package. Copies of the complete reports are available upon request from Phoenix Advisors, LLC, Attention: Matthew Spoerndle, Senior Managing Director, 53 River Street, Suite 1, Milford, Connecticut 06460, telephone (203) 878-4945.

Thank you.

**PHOENIX ADVISORS, LLC**

## **Note Sale Term Sheet**

**\$13,095,000**

### **General Obligation Bond Anticipation Notes City of Milford, Connecticut**

**Date of Sale:** Tuesday, April 26, 2016, 11:30 A.M., (Eastern Time).

**Telephone Number:** (203) 783-3201.

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

**Issue:** \$13,095,000 General Obligation Bond Anticipation Notes.

**Dated Date:** May 9, 2016.

**Principal and Interest Due:** At maturity on November 7, 2016.

**Purpose:** The Notes are being issued to finance sewer, school and various public improvement projects.

**Denominations:** \$100,000.

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

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

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The City's current outstanding bond ratings are as follows: "Aa1" from Moody's Investors Service, "AA+" from Standard & Poor's Corporation and "AA+" from Fitch Ratings.

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

**Tax Exemption:** Tax-Exempt (See Attached "Form of Legal Opinion of Bond Counsel").

**Bank Qualification:** The Notes shall NOT be designated by the Issuer as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S. Bank National Association will act as Registrar, Transfer Agent, Certifying Agent, and Paying Agent.

**Financial Advisor:** Phoenix Advisors, LLC, of 53 River Street, Milford, Connecticut 06460 will act as Financial Advisor. Telephone (203) 878-4945.

**Legal Opinion:** Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut.

**Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about May 9, 2016. Delivery of the Notes will be made against payment in Federal Funds.

**Issuer Official:** Questions concerning the Notes should be addressed to Peter Erodici Jr., Director of Finance, City of Milford, Telephone: (203) 783-3221 or Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, Telephone: (203) 878-4945.

## FORM OF LEGAL OPINION OF BOND COUNSEL

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

May \_\_, 2016

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

We have acted as bond counsel to the City of Milford, Connecticut (the "City") in connection with the sale and issuance of the City's \$13,095,000 General Obligation Bond Anticipation Notes, dated May 9, 2016 (the "Notes"). In such capacity, we have examined a record of proceedings of the City authorizing the Notes, a Tax Compliance Agreement of the City, dated May 9, 2016 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

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

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

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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

the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

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

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

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

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

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

Respectfully,

PULLMAN & COMLEY, LLC

## NOTICE OF SALE

**\$13,095,000**  
**CITY OF MILFORD, CONNECTICUT**  
**GENERAL OBLIGATION BOND ANTICIPATION NOTES**  
**BOOK-ENTRY ONLY**

TELEPHONE BIDS and ELECTRONIC BIDS via **PARITY**<sup>®</sup> (as described herein) will be received by the **CITY OF MILFORD, CONNECTICUT** (the “City”) at the Office of the Mayor, City Hall, 110 River Street, Milford, Connecticut 06460, until **11:30 A.M. (Eastern Time), Tuesday,**

**April 26, 2016**

for the purchase of \$13,095,000 City of Milford, Connecticut General Obligation Bond Anticipation Notes (the “Notes”). Telephone bids will be received by an authorized agent of Phoenix Advisors, LLC, the City’s financial advisor (See “Telephone Bidding Procedures”). Electronic bids must be submitted via **PARITY**<sup>®</sup> (See “Electronic Bidding Procedures”).

### **The Notes**

The Notes will be dated May 9, 2016 and will mature and be payable to the registered owner on November 7, 2016. The Notes will bear interest (which interest shall be computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

### **Registration**

The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000, or whole multiples thereof, plus any odd amounts, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the City or its agent in same-day funds to DTC or its nominee as registered owner of the Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Financial institutions desiring to submit a bid to purchase the Notes for the purpose of investment (“Direct Placement Bidders”) may submit bids as set forth herein. In the event a Direct Placement Bidder is awarded the Notes, the Notes will be issued without CUSIP identification. A Direct Placement Bidder, if awarded the Notes, must execute a letter addressed to the City acknowledging, among other things, that (1) the purchaser has knowledge and experience in financial and business affairs and that it is capable of evaluating the merits and risks of the purchase of the Notes; (2) the purchaser is acquiring the Notes as a vehicle for making a commercial loan and without a present view to the distribution thereof (subject,

nevertheless, to any requirement of law that the disposition of its property at all times be under its control) within the meaning of the Federal securities laws; (3) the purchaser is acquiring the Notes solely for its own account and no other undisclosed person now has any direct or indirect ownership or interest therein.

### **Nature of Obligation**

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

### **Bank Qualification**

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

### **Electronic Bidding Procedures**

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY**<sup>®</sup> by 11:30 A.M. (Eastern Time) on Tuesday, April 26, 2016. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

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

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

For purposes of the telephone bidding process and the electronic bidding process, the time as maintained by **PARITY**<sup>®</sup> shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest cost to the City, as described under "Bid Specifications/Basis of Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

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

### **Telephone Bidding Procedures**

Telephone bids will be received on behalf of the City by a representative of Phoenix Advisors LLC at (203) 783-3201. All telephone bids must be made to (203) 783-3201 and be completed by 11:30 A.M. (Eastern Time) on Tuesday, April 26, 2016.

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

### **Bid Specifications/Basis of Award**

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

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

The City reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The City further reserves the right to postpone the sale to another time and date

in its sole discretion for any reason, including internet difficulties. The City will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

### **Closing Documents and Legal Opinion**

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

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

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

### **Settlement of the Notes**

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

The Notes will be available for delivery on or about May 9, 2016. The deposit of the Notes with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder or bidders to obtain CUSIP numbers for the Notes prior to delivery, and the City will not be responsible for any delay occasioned by the failure of the winning bidder or bidders to obtain such numbers and to supply them to the City in a timely manner. The City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

### **No Continuing Disclosure or Official Statement**

Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the City will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.



**Additional Information**

More information concerning the issue and the City may be obtained from Matthew Spoerndle, Phoenix Advisors, LLC (Financial Advisor), 53 River St., Suite 1, Milford, Connecticut 06460; telephone 203-878-4945.

BENJAMIN G. BLAKE  
Mayor

LIBERA C. NOSAL  
City Treasurer

PETER A. ERODICI JR.  
Director of Finance

April 19, 2016

# **CITY OF MILFORD, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Comprehensive Annual Financial Report  
of  
the City of Milford, Connecticut  
for the fiscal year ended June 30, 2015

# BlumShapiro

Accounting | Tax | Business Consulting

## Independent Auditors' Report

To the Board of Finance  
City of Milford, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Milford, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Milford, Connecticut's basic financial statements as listed in the table of contents.

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

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

#### ***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Milford, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 15 to the financial statements, during the fiscal year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the City has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 60 through 65, and the pension schedules on pages 66 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milford, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Milford, Connecticut, as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 17, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet and Internal Service Fund financial statements as of June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying General Fund balance sheet and Internal Service Fund financial statements have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet and the Internal Service Fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the City of Milford, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milford, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 21, 2015

**CITY OF MILFORD, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

This discussion and analysis of the City of Milford, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2015. This is the thirteenth year of reporting in accordance with Statement No. 34 of the Governmental Accounting Standards Board. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

**Financial Highlights**

- The City's net position decreased overall as a result of this year's operations. Net position of our business-type activities increased by \$291 thousand and net position of our governmental activities decreased by \$4.13 million.
- During the year, the City had expenses that were \$4.14 million more than the \$231.8 million generated in tax and other revenues for governmental programs.
- Total cost of all of the City's programs was \$235.9 million with no new programs added this year.
- The General Fund reported a total fund balance this year of \$25.1 million and unassigned fund balance of \$16.3 million.
- The resources available for appropriation were \$2.2 million more than budgeted for the General Fund. Expenditures were \$3.1 million less than final appropriations.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

- *Governmental funds (Exhibits III and IV)*- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Health, Workers' Compensation, and Property and Casualty Internal Service Funds.

- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension and other postemployment benefit plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Government-Wide Financial Analysis**

The City's combined net position decreased from \$98.7 million to \$94.9 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**NET POSITION**  
(In Thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014 (as Restated)</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014 (as Restated)</b>
Current and other assets	\$ 96,471	\$ 94,434	\$ 580	\$ 523	\$ 97,051	\$ 94,957
Capital assets	350,664	343,874	3,361	3,126	354,025	347,000
Total assets	<u>447,135</u>	<u>438,308</u>	<u>3,941</u>	<u>3,649</u>	<u>451,076</u>	<u>441,957</u>
Deferred outflows of resources	33,597	787			33,597	787
Long-term debt outstanding	350,646	297,960			350,646	297,960
Other liabilities	35,246	42,914	11	10	35,257	42,924
Total liabilities	<u>385,892</u>	<u>340,874</u>	<u>11</u>	<u>10</u>	<u>385,903</u>	<u>340,884</u>
Deferred inflows of resources	3,873	3,120			3,873	3,120
Net position:						
Net investments in capital assets	174,139	166,869	3,361	3,126	177,500	169,995
Restricted	280	255			280	255
Unrestricted	<u>(83,452)</u>	<u>(72,023)</u>	<u>569</u>	<u>513</u>	<u>(82,883)</u>	<u>(71,510)</u>
Total Net Position	<u>\$ 90,967</u>	<u>\$ 95,101</u>	<u>\$ 3,930</u>	<u>\$ 3,639</u>	<u>\$ 94,897</u>	<u>\$ 98,740</u>

Net position of the City's governmental activities decreased 4.3% (\$91 million compared to \$95.1 million). Unrestricted net position - the part of net position that can be used to finance daily operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased to a deficit of \$83.4 million at the end of this year.



There was an 8% increase (\$3.93 million compared to \$3.64 million in the net position of business-type activities from 2014 to 2015.

**Table 2**  
**CHANGES IN NET POSITION**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 9,812	\$ 7,753	\$ 327	\$ 333	\$ 10,139	\$ 8,086
Operating grants and contributions	29,527	36,980			29,527	36,980
Capital grants and contributions	3,046	115	272		3,318	115
General revenues:						
Property taxes	180,864	174,885			180,864	174,885
Grants and contributions not restricted to specific purpose	8,321	8,693			8,321	8,693
Unrestricted investment earnings	49	72	1	1	50	73
Other general revenues	195	718			195	718
Total revenues	<u>231,814</u>	<u>229,216</u>	<u>600</u>	<u>334</u>	<u>232,414</u>	<u>229,550</u>
Expenses:						
General government	13,004	9,770			13,004	9,770
Administration	3,882	3,803			3,882	3,803
Public safety	38,754	38,410			38,754	38,410
Public services	18,586	27,538			18,586	27,538
Education	149,823	142,617			149,823	142,617
Health and welfare	4,183	5,503			4,183	5,503
Grants to agencies	3,073	9,072			3,073	9,072
Interest on long-term debt	4,653	2,711			4,653	2,711
Milford Golf Course			64	64	64	64
Harbor management			235	242	235	242
Total program expenses	<u>235,958</u>	<u>239,424</u>	<u>299</u>	<u>306</u>	<u>236,257</u>	<u>239,730</u>
Transfers in (out)	<u>10</u>	<u>260</u>	<u>(10)</u>	<u>(260)</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ (4,134)</u>	<u>\$ (9,948)</u>	<u>\$ 291</u>	<u>\$ (232)</u>	<u>\$ (3,843)</u>	<u>\$ (10,180)</u>

The City's total revenues were \$231.8 million. The total cost of all programs and services was \$235.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

## **Governmental Activities**

The City's revenues increased by \$2.6 million from 2014. Most of the increase is attributable to property tax revenue, charges for services, and capital grants.

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

**Table 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Public safety	\$ 38,754	\$ 38,410	\$ 34,517	\$ 34,846
Public services	18,586	27,538	13,883	21,060
Education	149,823	142,617	120,264	109,707
All others	<u>28,795</u>	<u>30,859</u>	<u>24,909</u>	<u>28,963</u>
Totals	<u>\$ 235,958</u>	<u>\$ 239,424</u>	<u>\$ 193,573</u>	<u>\$ 194,576</u>

## **Business-Type Activities**

Revenues of the City's business-type activities (see Table 2) increased by 79.6% (\$600 thousand in 2015 compared to \$334 thousand in 2014) and expenses decreased by 2.3% (\$299 thousand in 2015 versus \$306 thousand in 2014).

## **City Funds Financial Analysis**

### **Governmental Funds**

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$27.9 million, which is an increase of \$6.5 million over last year's fund balance of \$21.4 million. Included in this year's total change in fund balance, is an increase of \$1.8 million in the general fund, and increases of \$1.7 million in the Capital Non-recurring Fund (CNR) and \$3 million in the School Facilities Fund. The fund balance decreased by \$733 thousand in the Sanitary Sewer Fund (SSR) due to expenditures incurred and paid prior to the issuance of bonds, which is anticipated. Moreover, the primary reasons for the General Fund's increase in fund balance are higher than expected tax and other fee revenue, as well as expenditures which were lower than budget. Because \$4 million of general fund balance was assigned in 2014 to support the 2015 budget, property tax revenue growth was moderated. In addition, the City's EMS billing program has been growing, and the City Clerk's office saw an increase in conveyance taxes collected. On the expenditure side, the City carefully monitored expenditures throughout the year and generated savings across most departments. Employee vacancies, due to turnover or retirements in several departments, also led to budget surpluses in the wage line items.

**Proprietary Funds**

The Internal Service Funds’ net position increased \$2.4 million primarily due to lower than expected healthcare claims expense in the health insurance fund. The Enterprise Funds’ net position increased from last year by \$291 thousand mainly due to a capital contribution for the capitalization of the new golf course maintenance building.

***General Fund Budgetary Highlights***

- General Property Taxes and Assessments - property tax and assessment revenue was greater than budgeted by \$1.4 million due to a higher collection rate than was used in the budget.
- State aid revenue was more than budgeted by \$32 thousand. This was due to both increases and decreases in various grant revenues. In particular, the Education Cost Sharing grant was \$30 thousand favorable compared to budget. Investment Income - revenues from the investment of idle funds were more than budgeted by \$30 thousand due to slightly higher interest rates and more money on deposit in the Connecticut Short Term Investment Fund.
- Other Revenue was \$102 thousand greater than budget due to an increase in miscellaneous other revenues.
- Licenses, Permits and Other Charges were \$554 thousand above budget mainly due to higher than anticipated conveyance taxes, paramedic fees, and recycling revenues. These income categories are directly related to the economy and population, and can fluctuate.
- Department Expenditures - Expenditure controls were put into place throughout the fiscal year, including continued monitoring of new hiring, overtime, and purchase requisitions, which resulted in an overall budget surplus of \$3 million on the expenditure side.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2015, the City’s governmental activities had \$350.7 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net increase (including additions and deductions) of \$7 million over last year.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	\$ 36.9	\$ 36.6	\$ 1.7	\$ 1.7	\$ 38.6	\$ 38.3
Construction in progress	130.3	134.0			130.3	134.0
Buildings and improvements	114.6	107.9	1.5	1.3	116.1	109.2
Machinery and equipment	12.8	8.9	0.2	0.2	13.0	9.1
Infrastructure	56.0	56.5			56.0	56.5
<b>Totals</b>	<b>\$ 350.7</b>	<b>\$ 343.9</b>	<b>\$ 3.4</b>	<b>\$ 3.2</b>	<b>\$ 354.0</b>	<b>\$ 347.1</b>

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

Police Equipment and Vehicles	\$	637
Public Works Equipment and Vehicles		224
Fire Department Equipment and Vehicles		1,069
Devon Revitalization		432
Milford Academy Renovation		1,713
Library Renovation		1,538
East Side Bulkhead/Ramp		1,785
Town dock at High Street		1,960
Golf Course Maintenance Building		272
Stowe Farm Preservation		112
Communication System		3,978
Fowler Field Parking Area		124
Old Gate Lane Reconstruction		306
PW Garage Roof Replacement - CIP		470
South Street Retaining Wall - CIP		182
Parsons Improvements - CIP		108
Skateboard/Bike Park Addition		47
School Additions and Renovations - CIP		4,537
School Additions and Renovations		1,825
Sewer CIP		4,617
		<u>4,617</u>
	\$	<u>25,936</u>

The City's fiscal-year 2015-2016 capital plan has \$43 million of capital projects planned. School building renovations are estimated at \$18 million, sewer projects at \$2.8 million, and public service projects at \$22 million. Of the total estimated \$43 million, it is expected to finance \$33.9 million with bonds and \$8.9 million with grants. It is likely that not all projects will be implemented - resulting in a lower level of cost. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

At June 30, 2015, the City had \$174.3 million in bonds and notes outstanding versus \$176.4 million last year - a decrease of 1.2% - as shown in Table 5. Additional detail on the City's long-term debt can be found in Note 7.

**Table 5**  
**OUTSTANDING DEBT**  
(In Thousands)

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
General obligation bonds (backed by the City)	\$ 123,580	\$ 119,490
Bond anticipation notes (backed by the City)	17,390	21,526
Long-term note payable	<u>33,289</u>	<u>35,400</u>
Totals	<u>\$ 174,259</u>	<u>\$ 176,416</u>

### **Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. The City's unemployment rate has decreased from 6% to 4.5%. In comparison, the figures for the State of Connecticut have decreased from 6.9% to 5.1%.

These indicators were taken into account when adopting the General Fund budget for 2015-2016. The adopted budget for FY 2016 is \$202 million, an increase of 2% over the final 2015 budget of \$198 million. No new programs or initiatives were added to the 2016 budget. State grants were assumed to fund 6.9% of the 2016 budget as compared to 7.2% of the 2015 budget.

If estimates are realized, the City's June 30, 2016 budgetary General Fund balance is expected to be \$3.5 million lower than the June 30, 2015 budgetary General Fund balance because of the use of that amount to balance the budget. As for the City's business-type activities, we expect that the 2015-2016 results will improve due to more rounds of golf, higher operating fee revenue, and an increase in bookings at the marina.

### **Contacting the City's Financial Management**

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

# **Basic Financial Statements**

**CITY OF MILFORD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 80,990	\$ 556	\$ 81,546
Investments	117		117
Receivables, net	15,302	24	15,326
Inventory	28		28
Prepaid items and other assets	34		34
<b>Capital assets:</b>			
Capital assets not being depreciated	167,276	1,654	168,930
Capital assets being depreciated, net	183,388	1,707	185,095
<b>Total assets</b>	<u>447,135</u>	<u>3,941</u>	<u>451,076</u>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	1,885		1,885
Changes in pension actuarial assumptions	7,814		7,814
Changes in pension projected investment earnings	23,898		23,898
<b>Total deferred outflows of resources</b>	<u>33,597</u>	<u>-</u>	<u>33,597</u>
<b>Liabilities:</b>			
Accounts and other payables	16,563	11	16,574
Unearned revenue	598		598
Due to other governments	695		695
Bond anticipation notes payable	17,390		17,390
<b>Noncurrent liabilities:</b>			
Due within one year	16,947		16,947
Due in more than one year	333,699		333,699
<b>Total liabilities</b>	<u>385,892</u>	<u>11</u>	<u>385,903</u>
<b>Deferred Inflows of Resources:</b>			
Advance property tax collection	2,982		2,982
Advance sewer collections	145		145
Changes in pension actuarial experience	746		746
<b>Total deferred inflows of resources</b>	<u>3,873</u>	<u>-</u>	<u>3,873</u>
<b>Net Position:</b>			
Net investments in capital assets	174,139	3,361	177,500
<b>Restricted for:</b>			
<b>Trust purposes:</b>			
Expendable	280		280
Unrestricted	(83,452)	569	(82,883)
<b>Total Net Position</b>	<u>\$ 90,967</u>	<u>\$ 3,930</u>	<u>\$ 94,897</u>

The accompanying notes are an integral part of the financial statements

CITY OF MILFORD, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 13,004	\$ 1,779	\$ 329	\$ 334	\$ (10,562)	\$	\$ (10,562)
Administration	3,882				(3,882)		(3,882)
Public safety	38,754	3,655	582		(34,517)		(34,517)
Public services	18,586	1,432	559	2,712	(13,883)		(13,883)
Education	149,823	2,435	27,124		(120,264)		(120,264)
Health and welfare	4,183	511	933		(2,739)		(2,739)
Grants to agencies	3,073				(3,073)		(3,073)
Interest on long-term debt	4,653				(4,653)		(4,653)
Total governmental activities	<u>235,958</u>	<u>9,812</u>	<u>29,527</u>	<u>3,046</u>	<u>(193,573)</u>	<u>-</u>	<u>(193,573)</u>
Business-type activities:							
Milford Golf Course	64	85		272		293	293
Harbor Management	235	242				7	7
Total business-type activities	<u>299</u>	<u>327</u>	<u>-</u>	<u>272</u>	<u>-</u>	<u>300</u>	<u>300</u>
Total	<u>\$ 236,257</u>	<u>\$ 10,139</u>	<u>\$ 29,527</u>	<u>\$ 3,318</u>	<u>(193,573)</u>	<u>300</u>	<u>(193,273)</u>
General revenues:							
Property taxes					180,864		180,864
Grants and contributions not restricted to specific programs					8,321		8,321
Unrestricted investment earnings					49	1	50
Other general revenues					195		195
Transfers					10	(10)	-
Total general revenues and transfers					<u>189,439</u>	<u>(9)</u>	<u>189,430</u>
Change in net position					(4,134)	291	(3,843)
Net position, July 1, 2014, as Restated					<u>95,101</u>	<u>3,639</u>	<u>98,740</u>
Net Position, June 30, 2015					<u>\$ 90,967</u>	<u>\$ 3,930</u>	<u>\$ 94,897</u>

The accompanying notes are an integral part of the financial statements



**CITY OF MILFORD, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**  
(In Thousands)

	<u>General</u>	<u>Sewer Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Sanitary Sewer Fund</u>	<u>School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 39,201	\$ 5,184	\$ 5,734	\$ 69	\$ 458	\$ 12,809	\$ 63,455
Investments	117						117
Receivables, net	13,574	193				452	14,219
Due from other funds	1,572	155	626			87	2,440
Inventories						28	28
Prepaid items and other assets	21		13				34
Total Assets	<u>\$ 54,485</u>	<u>\$ 5,532</u>	<u>\$ 6,373</u>	<u>\$ 69</u>	<u>\$ 458</u>	<u>\$ 13,376</u>	<u>\$ 80,293</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 11,998	\$ 380	\$ 635	\$ 227	\$ 50	\$ 1,436	\$ 14,726
Other liabilities			120	563	256		939
Due to other governments	677		18				695
Due to other funds	915	240	664	260	381	105	2,565
Unearned revenue	590					8	598
Bond anticipation notes payable			2,320	3,235	11,619	216	17,390
Total liabilities	<u>14,180</u>	<u>620</u>	<u>3,757</u>	<u>4,285</u>	<u>12,306</u>	<u>1,765</u>	<u>36,913</u>
Deferred inflows of resources:							
Unavailable revenue - property taxes	6,996						6,996
Unavailable revenue - property taxes interest	5,130						5,130
Unavailable revenue - special assessments	89	151					240
Advance sewer collections		145					145
Advance property tax collections	2,982						2,982
Total deferred inflows of resources	<u>15,197</u>	<u>296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,493</u>
Fund balances:							
Nonspendable	21		13			28	62
Restricted						468	468
Committed	1,055	4,616	2,603			11,289	19,563
Assigned	7,696						7,696
Unassigned	16,336			(4,216)	(11,848)	(174)	98
Total fund balances	<u>25,108</u>	<u>4,616</u>	<u>2,616</u>	<u>(4,216)</u>	<u>(11,848)</u>	<u>11,611</u>	<u>27,887</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 54,485</u>	<u>\$ 5,532</u>	<u>\$ 6,373</u>	<u>\$ 69</u>	<u>\$ 458</u>	<u>\$ 13,376</u>	<u>\$ 80,293</u>

(Continued on next page)

**CITY OF MILFORD, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2015**  
(In Thousands)

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

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

Fund balances - total governmental funds	\$	27,887
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	492,528	
Less accumulated depreciation		<u>(141,864)</u>	
Net capital assets			350,664

Other long-term assets and deferred outflows of resources are not available to pay  
for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	6,996
Interest receivable on property taxes	5,130
Assessments receivable	238
Interest receivable on assessments	83
Receivable from the state for school construction projects	488
Deferred outflows related to changes in pension actuarial assumptions	7,814
Deferred outflows related to changes in projected pension investment earnings	23,898

Internal service funds are used by management to charge the costs of  
risk management to individual funds. The assets and liabilities of  
the internal service funds are reported with governmental activities  
in the statement of net position.

13,015

Long-term liabilities, including bonds payable and deferred inflows or resources, are  
not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(156,869)
Interest payable on bonds and notes	(697)
Compensated absences	(14,381)
Net OPEB obligation	(132,470)
Bond premium	(4,151)
Net pension liability	(37,817)
Deferred inflows related to changes in actuarial experience	(746)
Deferred charges on refunding	<u>1,885</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>90,967</u></u>
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The accompanying notes are an integral part of the financial statements

**CITY OF MILFORD, CONNECTICUT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

(In Thousands)

	<u>General</u>	<u>Sewer Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Sanitary Sewer Fund</u>	<u>School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
Property taxes and assessments	\$ 171,858	\$ 6,882	\$	\$	\$	\$	\$ 178,740
Fines, forfeitures, penalties and interest	1,199	40					1,239
Intergovernmental	24,254		2,712		49	7,104	34,119
Charges for services	2,853	79	168			4,644	7,744
Investment income	89	3	3			3	98
Other	6,109	628				2,242	8,979
Total revenues	<u>206,362</u>	<u>7,632</u>	<u>2,883</u>	<u></u>	<u>49</u>	<u>13,993</u>	<u>230,919</u>
Expenditures:							
Current:							
General government	3,930					289	4,219
Administration	2,496						2,496
Public safety	24,393					2,744	27,137
Public services	11,272					786	12,058
Education	119,634					8,669	128,303
Health and welfare	1,615					1,864	3,479
General charges	23,635						23,635
Grants to agencies	2,651						2,651
Capital outlay		5,878	5,761	4,713	3,043		19,395
Debt service	13,839	1,687				306	15,832
Total expenditures	<u>203,465</u>	<u>7,565</u>	<u>5,761</u>	<u>4,713</u>	<u>3,043</u>	<u>14,658</u>	<u>239,205</u>
Excess (deficiency) of revenues over expenditures	<u>2,897</u>	<u>67</u>	<u>(2,878)</u>	<u>(4,713)</u>	<u>(2,994)</u>	<u>(665)</u>	<u>(8,286)</u>
Other financing sources (uses):							
Issuance of bonds and notes			3,740	3,980	5,984	491	14,195
Premium on bond issuance	477						477
Refunding bond issuance	14,935						14,935
Premium on refunding bonds	2,527						2,527
Payment to refunded bond escrow agent	(17,312)						(17,312)
Transfers in			797			547	1,344
Transfers out	(1,264)	(90)					(1,354)
Total other financing sources (uses)	<u>(637)</u>	<u>(90)</u>	<u>4,537</u>	<u>3,980</u>	<u>5,984</u>	<u>1,038</u>	<u>14,812</u>
Net change in fund balances	2,260	(23)	1,659	(733)	2,990	373	6,526
Fund balances, July 1, 2014	<u>22,848</u>	<u>4,639</u>	<u>957</u>	<u>(3,483)</u>	<u>(14,838)</u>	<u>11,238</u>	<u>21,361</u>
Fund Balances, June 30, 2015	<u>\$ 25,108</u>	<u>\$ 4,616</u>	<u>\$ 2,616</u>	<u>\$ (4,216)</u>	<u>\$ (11,848)</u>	<u>\$ 11,611</u>	<u>\$ 27,887</u>

(Continued on next page)

**CITY OF MILFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(In Thousands)

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 6,526
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	12,532
Depreciation expense	(5,742)

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

School building grant receipts	(258)
Property tax receivable - accrual basis change	644
Property tax interest and lien revenue - accrual basis change	241
Sewer assessment receivable and interest - accrual basis change	12
Sewer assessment interest receivable - accrual change	(49)
Net pension asset	(317)
Deferred outflows related to changes in pension actuarial assumptions	7,814
Deferred outflows related to changes in projected pension investment earnings	23,898

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

Bond and note principal payments	11,061
Premium on general obligation bonds	(477)
Payments to bond refunding agent	17,312
Issuance of bonds and notes	(14,195)
Refunding bonds issued	(14,935)
Premium on refunding bonds	(2,527)

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

Compensated absences	4,662
Accrued interest	(16)
Net OPEB expense	(14,230)
Amortization of bond premium	229
Net pension liability	(37,817)
Deferred inflows related to changes in actuarial experience	(746)
Deferred charges on refunding	(124)

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

<u>2,368</u>
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Change in Net Position of Governmental Activities (Exhibit II)

<u>\$ (4,134)</u>
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The accompanying notes are an integral part of the financial statements

**CITY OF MILFORD, CONNECTICUT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**  
(In Thousands)

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Milford Golf Course</u>	<u>Harbor Management</u>	<u>Total</u>	<u>Internal Service</u>
Assets:				
Current:				
Cash and cash equivalents	\$ 105	\$ 451	\$ 556	\$ 17,535
Receivables, net	24		24	512
Due from other funds				139
Total current assets	<u>129</u>	<u>451</u>	<u>580</u>	<u>18,186</u>
Capital assets, net	<u>2,050</u>	<u>1,311</u>	<u>3,361</u>	
Total assets	<u>2,179</u>	<u>1,762</u>	<u>3,941</u>	<u>18,186</u>
Liabilities:				
Current:				
Accounts payable and accrued liabilities	1	10	11	199
Due to other funds			-	14
Total current liabilities	<u>1</u>	<u>10</u>	<u>11</u>	<u>213</u>
Noncurrent:				
Due within one year:				
Risk management claims				<u>4,958</u>
Total liabilities	<u>1</u>	<u>10</u>	<u>11</u>	<u>5,171</u>
Net Position:				
Invested in capital assets	2,050	1,311	3,361	
Unrestricted	<u>128</u>	<u>441</u>	<u>569</u>	<u>13,015</u>
Total Net Position	<u>\$ 2,178</u>	<u>\$ 1,752</u>	<u>\$ 3,930</u>	<u>\$ 13,015</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILFORD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(In Thousands)

	<b>Business-Type Activities</b>			<b>Governmental</b>
	<b>Milford Golf Course</b>	<b>Harbor Management</b>	<b>Total</b>	<b>Internal Service</b>
Operating revenues:				
Employer contributions	\$	\$	\$	\$ 33,330
Charges for services	85	242	327	6,272
Other				235
Total operating revenues	<u>85</u>	<u>242</u>	<u>327</u>	<u>39,837</u>
Operating expenses:				
Health and welfare	48	215	263	
Depreciation	16	20	36	
Insurance premiums and claims expense			-	37,489
Total operating expenses	<u>64</u>	<u>235</u>	<u>299</u>	<u>37,489</u>
Operating income	<u>21</u>	<u>7</u>	<u>28</u>	<u>2,348</u>
Nonoperating revenue:				
Interest income		1	1	
Capital contribution	272		272	
Transfers in			-	20
Transfers out	<u>(10)</u>		<u>(10)</u>	
Total nonoperating revenue	<u>262</u>	<u>1</u>	<u>263</u>	<u>20</u>
Change in net position	283	8	291	2,368
Total net position, beginning of year	<u>1,895</u>	<u>1,744</u>	<u>3,639</u>	<u>10,647</u>
Total Net Position, End of Year	<u>\$ 2,178</u>	<u>\$ 1,752</u>	<u>\$ 3,930</u>	<u>\$ 13,015</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILFORD, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(In Thousands)

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Milford</u>	<u>Harbor</u>	<u>Total</u>	<u>Internal</u>
	<u>Course</u>	<u>Management</u>		<u>Service</u>
Cash flows from operating activities:				
Cash received from contributions and charges for services	\$ 85	\$ 242	\$ 327	\$ 40,159
Cash paid to employees		(215)	(215)	
Cash paid to vendors	(47)		(47)	
Cash payments for claims paid				(37,186)
Net cash provided by operating activities	<u>38</u>	<u>27</u>	<u>65</u>	<u>2,973</u>
Cash flows to/from noncapital financing activities:				
Transfers to/from other funds	<u>(10)</u>		<u>(10)</u>	<u>20</u>
Cash flows from investing activities:				
Interest and dividends received		<u>1</u>	<u>1</u>	
Net increase in cash and cash equivalents	28	28	56	2,993
Cash and cash equivalents at beginning of year	<u>77</u>	<u>423</u>	<u>500</u>	<u>14,542</u>
Cash and Cash Equivalents at End of Year	<u>\$ 105</u>	<u>\$ 451</u>	<u>\$ 556</u>	<u>\$ 17,535</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 21	\$ 7	\$ 28	\$ 2,348
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	16	20	36	
(Increase) decrease in accounts receivable	(23)		(23)	376
(Increase) decrease in due from other funds	24		24	(54)
Increase (decrease) in accounts payable and accrued liabilities				289
Increase (decrease) in due to other funds				<u>14</u>
Net Cash Provided by Operating Activities	<u>\$ 38</u>	<u>\$ 27</u>	<u>\$ 65</u>	<u>\$ 2,973</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILFORD, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2015**  
(In Thousands)

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ <u>20,561</u>	\$ <u>1,768</u>
Investments:		
Certificate of deposits		120
Corporate bonds	24,290	
Foreign bonds	600	
U.S. government obligations	11,731	
Marketable equity securities	157,681	
Asset backed securities	13,128	
Alternative investments	106,412	
Mutual funds	<u>5,533</u>	
Total investments	<u>319,375</u>	<u>120</u>
Receivables	<u>19</u>	<u>14</u>
Total assets	<u>339,955</u>	\$ <u><u>1,902</u></u>
Liabilities:		
Accounts and other payables	80	\$ 14
Due to employees and students		<u>1,888</u>
Total liabilities	<u>80</u>	\$ <u><u>1,902</u></u>
Net Position:		
Held in Trust for Retirement Benefits	\$ <u><u>339,875</u></u>	

The accompanying notes are an integral part of the financial statements



**CITY OF MILFORD, CONNECTICUT  
STATEMENT OF CHANGES IN PLAN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

(In Thousands)

	<u>Trust Funds</u>
Additions:	
Contributions:	
Plan members	\$ 3,925
Employer-current year	13,924
Employer-additional	<u>502</u>
Total contributions	<u>18,351</u>
Miscellaneous	<u>20</u>
Investment income (loss):	
Net change in fair value of investments	(20,693)
Interest and dividends	<u>21,288</u>
Total investment income	595
Less investment expense	<u>2,751</u>
Net investment loss	<u>(2,156)</u>
Total additions	<u>16,215</u>
Deductions:	
Benefit payments and withdrawals	34,648
Administration	<u>76</u>
Total deductions	<u>34,724</u>
Change in net position	(18,509)
Net position held in trust, beginning of year	<u>358,384</u>
Net Position Held in Trust, End of Year	<u>\$ 339,875</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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(In Thousands)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**(In Thousands)**

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

The Trust Funds account for the activities of the Milford Retirement System, which accumulates resources for pension benefit payments to qualified City employees, and account for and accumulate resources for post-employment benefits due to City's retirees.

The Agency Funds account for monies from various self-funding school activity programs, inland/wetland bonds and planning and zoning bonds.

The trust funds use the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**(In Thousands)**

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

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

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

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

**D. Deposits and Investments**

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

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

Investments for the City are reported at fair value.

**E. Receivables and Payables**

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

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

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**(In Thousands)**

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

Real estate, motor vehicle and personal property accounts are no longer collectible 15 years after the due date in accordance with State Statutes. A total of \$1.4 million has been established as an allowance for uncollectible taxes and interest.

**F. Inventories and Prepaid Items**

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

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

**G. Capital Assets**

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

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

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

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

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

**(In Thousands)**

#### **H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding and deferred outflows related to pension 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. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet as deferred inflows of resources. Advance property tax and sewer collections represent tax and sewer fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. In addition, the City reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Also, for governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

#### **I. Compensated Absences**

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

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

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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(In Thousands)

**J. Net Pension Liability**

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**K. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

**L. Fund Equity**

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

**Net Investments in Capital Assets**

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

**Restricted Net Position**

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

**Unrestricted Net Position**

This component of net position includes anything that does not meet the definition of "restricted" or "net investments in capital assets."

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

**Nonspendable Fund Balance**

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

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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(In Thousands)

**Restricted Fund Balance**

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

**Committed Fund Balance**

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

**Assigned Fund Balance**

This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board (Board of Alderman) or a body or official (Director of Finance) that has been delegated authority to assign amounts by the City Charter.

**Unassigned Fund Balance**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Prior to February 1, the Mayor and the Board of Education submit proposed budgets for their respective shares of the General Fund to the Board of Finance. Prior to April 1, the Board of Finance submits to the Board of Aldermen the proposed fiscal budget. The Board of Aldermen then holds hearings on the Board of Finance's proposed budget. The Board of Aldermen may reduce or delete any item contained in the Board of Finance's budget by a simple majority. The Board of Aldermen may increase or add to any item in the Board of Finance budget by a two-thirds vote. The Board of Aldermen adopts the budget for the following fiscal year and sets the mill rate. This budget, at the department level, becomes the legal level of control. For management purposes, the Mayor is authorized to transfer budgeted amounts between like categories of line items within individual budgeted departments. All other transfers, as well as additional appropriations, must first be approved by the Board of Finance and then by the Board of Aldermen. Additional appropriations of \$568 were approved during the fiscal year.

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

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



**CITY OF MILFORD, CONNECTICUT  
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 JUNE 30, 2015**

**(In Thousands)**

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

- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year whereas they are shown as an assigned fund balance on a GAAP basis of accounting.
- In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the City reports on-behalf contributions made by the State of Connecticut to the Connecticut State Teachers' Retirement System as revenue and expenditures for GAAP purposes.
- At the end of each fiscal year, the Board of Education's summer payroll is charged to the subsequent year's budget. As these expenditures should be accrued, this adjustment is necessary to properly record expenditures on a GAAP basis.

**B. Deficit Fund Equity**

The following funds had a deficit fund balance at June 30, 2015:

	<u>Amount</u>
Major:	
School Facilities Fund	\$ 11,848
Sanitary Sewer Fund	4,216
Nonmajor:	
School Renovations	174

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

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

**CITY OF MILFORD, CONNECTICUT  
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**(In Thousands)**

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

**Deposits**

**Deposit Custodial Credit Risk**

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$48,655 of the City’s bank balance of \$52,401 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 45,798
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name	<u>2,857</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 48,655</u>

**Cash Equivalents**

At June 30, 2015, the City’s cash equivalents amounted to \$53,341. The following table provides a summary of the City’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<b><u>Standard &amp; Poor’s</u></b>
State Short-Term Investment Fund (STIF)	AAA/m
Money market funds *	

\*Not rated

**CITY OF MILFORD, CONNECTICUT  
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(In Thousands)

**Investments**

As of June 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing					
Asset-backed securities	NR	\$ 13,128	\$	\$ 1,135	\$ 11,993
Treasury notes	AAA	11,731	3,660	2,761	5,310
Corporate bonds	AA+	-			
Corporate bonds	A+ to A-	7,639		4,694	2,945
Corporate bonds	BBB+ to BBB-	242		242	
Corporate bonds	BB+ to BB-	7			7
Corporate bonds	B+ to B-	16,402	457	15,477	468
Foreign bonds	B-	600		600	
Certificates of deposit	*	237	120	117	
Total		49,986	\$ <u>4,237</u>	\$ <u>25,026</u>	\$ <u>20,723</u>
Other investments:					
Equities		157,681			
Alternative investments		106,412			
Mutual funds		<u>5,533</u>			
Total Investments		\$ <u>319,612</u>			

\*Subject to coverage by Federal Depository Insurance and collateralization.

**Interest Rate Risk**

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

**Credit Risk - Investments**

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

**Concentration of Credit Risk**

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

**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At June 30, 2015, the City did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the City's name.

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
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**4. RECEIVABLES**

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

	<u>General</u>	<u>Sewer Fund</u>	<u>Milford Golf Course</u>	<u>Nonmajor and Aggregate Remaining Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 13,956	\$ 193	\$	\$	\$ 14,149
Accounts	190		24	722	936
Special assessments	89				89
Intergovernmental	488			242	730
Gross receivables	<u>14,723</u>	<u>193</u>	<u>24</u>	<u>964</u>	<u>15,904</u>
Less allowance for uncollectibles:	<u>(1,149)</u>				<u>(1,149)</u>
Net Total Receivables	<u>\$ 13,574</u>	<u>\$ 193</u>	<u>\$ 24</u>	<u>\$ 964</u>	<u>\$ 14,755</u>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 36,578	\$ 371	\$	\$	\$ 36,949
Construction in progress	133,949	10,471		(14,093)	130,327
Total capital assets not being depreciated	<u>170,527</u>	<u>10,842</u>	<u>-</u>	<u>(14,093)</u>	<u>167,276</u>
Capital assets being depreciated:					
Buildings and improvements	166,960			5,188	172,148
Improvements other than buildings	3,596	172		4,178	7,946
Machinery and equipment	38,737	1,790	(1,654)	4,149	43,022
Infrastructure	101,830			306	102,136
Total capital assets being depreciated	<u>311,123</u>	<u>1,962</u>	<u>(1,654)</u>	<u>13,821</u>	<u>325,252</u>
Less accumulated depreciation for:					
Buildings and improvements	(61,375)	(2,650)			(64,025)
Improvements other than buildings	(1,251)	(249)			(1,500)
Machinery and equipment	(29,879)	(1,982)	1,654		(30,207)
Infrastructure	(45,271)	(861)			(46,132)
Total accumulated depreciation	<u>(137,776)</u>	<u>(5,742)</u>	<u>1,654</u>	<u>-</u>	<u>(141,864)</u>
Total capital assets being depreciated, net	<u>173,347</u>	<u>(3,780)</u>	<u>-</u>	<u>13,821</u>	<u>183,388</u>
Governmental Activities Capital Assets, Net	<u>\$ 343,874</u>	<u>\$ 7,062</u>	<u>\$ -</u>	<u>(272)</u>	<u>\$ 350,664</u>

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,654	\$	\$	\$	\$ 1,654
Capital assets being depreciated:					
Buildings and system	468			272	740
Improvements other than buildings	1,230				1,230
Machinery and equipment	693				693
Total capital assets being depreciated	<u>2,391</u>	<u>-</u>	<u>-</u>	<u>272</u>	<u>2,663</u>
Less accumulated depreciation for:					
Buildings and system	(283)	(13)			(296)
Improvements other than buildings	(157)	(6)			(163)
Machinery and equipment	(480)	(17)			(497)
Total accumulated depreciation	<u>(920)</u>	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>(956)</u>
Total capital assets being depreciated, net	<u>1,471</u>	<u>(36)</u>	<u>-</u>	<u>272</u>	<u>1,707</u>
Business-Type Activities Capital Assets, Net	\$ <u>3,125</u>	\$ <u>(36)</u>	\$ <u>-</u>	<u>272</u>	\$ <u>3,361</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 81
Administration	163
Public safety	1,400
Public service	2,324
Education	1,537
Health and welfare	167
Grants to agencies	70
Total Depreciation Expense - Governmental Activities	\$ <u>5,742</u>
Business-type activities:	
Milford Golf Course	\$ 16
Harbor Management	20
Total Depreciation Expense - Business-Type Activities	\$ <u>36</u>

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
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(In Thousands)

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions. At June 30, 2015, the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Nonrecurring	General Fund	\$ 626
General Fund	Capital Nonrecurring	664
General Fund	Nonmajor Governmental	82
General Fund	Sanitary Sewer	260
General Fund	School Facilities	381
General Fund	Sewer Use	171
General Fund	Internal Service	14
Internal Service	Nonmajor Governmental	23
Internal Service	General Fund	47
Internal Service	Sewer Use	69
Nonmajor Governmental	General Fund	87
Sewer Use	General Fund	<u>155</u>
Total		<u>\$ 2,579</u>

Interfund transfers:

	<u>Transfers In</u>			<u>Total Transfer Out</u>
	<u>Capital Nonrecurring</u>	<u>Nonmajor Governmental</u>	<u>Health Insurance</u>	
Transfers out:				
General Fund	\$ 697	\$ 547	\$ 20	\$ 1,264
Milford Golf Course	10			10
Sewer Use Fund	<u>90</u>			<u>90</u>
Total	<u>\$ 797</u>	<u>\$ 547</u>	<u>20</u>	<u>\$ 1,364</u>

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

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
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(In Thousands)

**7. LONG-TERM DEBT**

**General Obligation Bonds**

Bonds payable at June 30, 2015 amounted to \$123,580 with interest rates ranging from 2.0% to 4.0% on bonds maturing at various dates through the year 2035. Grants receivable to offset future City principal payments totaled \$488 from State of Connecticut school construction grants. The General Fund is typically used to liquidate long-term liabilities.

Bonds authorized and unissued totaled \$35,330 at June 30, 2015. A summary of the long-term indebtedness transactions for the current fiscal year follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 119,490	\$ 29,130	\$ (25,040)	\$ 123,580	\$ 8,910
Bond premium	1,376	3,004	(229)	4,151	
Total bonds payable	<u>120,866</u>	<u>32,134</u>	<u>(25,269)</u>	<u>127,731</u>	<u>8,910</u>
Long-term note payable	35,400		(2,111)	33,289	2,144
Claims and judgments	4,411	547		4,958	4,958
Compensated absences	19,043	48	(4,710)	14,381	935
Net pension liability		37,817		37,817	
Net OPEB obligation	<u>118,240</u>	<u>14,230</u>		<u>132,470</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 297,960</u>	<u>\$ 84,776</u>	<u>\$ (32,090)</u>	<u>\$ 350,646</u>	<u>\$ 16,947</u>

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

	<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	8,910	\$ 4,196	\$ 13,106
2017		9,180	3,899	13,079
2018		8,970	3,587	12,557
2019		8,630	3,257	11,887
2020		8,465	2,915	11,380
2021-2025		37,875	9,915	47,790
2026-2030		29,110	4,326	33,436
2031-2035		<u>12,440</u>	<u>755</u>	<u>13,195</u>
<b>Total</b>	<b>\$</b>	<b><u>123,580</u></b>	<b><u>\$ 32,850</u></b>	<b><u>\$ 156,430</u></b>

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

**Long-Term Note Payable**

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,144	\$ 644	\$ 2,788
2017	2,188	604	2,792
2018	2,232	554	2,786
2019	2,278	513	2,791
2020	2,324	466	2,790
2021-2025	12,343	1,613	13,956
2026-2029	<u>9,780</u>	<u>391</u>	<u>10,171</u>
Total	<u>\$ 33,289</u>	<u>\$ 4,785</u>	<u>\$ 38,074</u>

**General Obligation Bonds - Advance Bond Refunding**

On December 17, 2014, the City issued \$14,935 in general obligation bonds, with an average interest rate of 4.00% to refund outstanding bonds with an average rate of 4.5%. The bonds refunded were as follows: \$3,300 of outstanding 2007 general obligation bonds, \$6,750 of outstanding 2009 general obligation bonds and \$6,040 of outstanding 2009 Series B general obligation bonds. The net proceeds of \$17,312 (after payment of issuance costs of \$150) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The transaction generated a cash flow savings of \$729 and a present value savings of \$645. The outstanding balance of the defeased bonds as of June 30, 2015 is \$16,090 and the escrow balance is \$17,036.

**Prior Year Defeasance of Debt**

In prior years, the City had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The outstanding balance of the defeased bonds as of June 30, 2015 is \$2,340 and the escrow balance is \$2,444.



**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

**Bond Anticipation Notes**

Bond anticipation notes, which serve as temporary financing for certain capital projects, were outstanding at June 30, 2015.

	<u>Amount</u>
Notes payable, July 1, 2014	\$ 21,526
Notes issued	27,380
Notes retired	<u>(31,516)</u>
Notes Payable, June 30, 2015	<u>\$ 17,390</u>

During the year, the City issued \$9,990 in notes dated November 10, 2014, which matured May 8, 2015 and carried an interest rate of 1%. The City also issued notes on November 10, 2014 in the amount of \$1,810 with a maturity date of November 9, 2015 and interest rate of 1.25%. On May 8, 2015 the City issued \$15,580 in notes that mature on November 9, 2015 and carry an interest rate of 1%. These notes serve as temporary financing for various general purpose, school and sewer projects.

**Other Obligations**

At June 30, 2015, the dollar value of City employees' and Board of Education employees' accumulated vacation and sick time has been valued using the vesting methods outlined in GASB Statement No. 16. These obligations are typically funded by the General Fund.

**Debt Limitation**

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 386,044	\$ 62,546	\$ 323,498
Schools	772,088	57,959	714,129
Sewers	643,406	88,596	554,810
Urban renewal	557,619		557,619
Pension deficit	514,725		514,725

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation (\$1,201,025).

The indebtedness reflected above includes long-term debt outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School indebtedness is net of \$488 of State of Connecticut school building grant commitments.

**CITY OF MILFORD, CONNECTICUT  
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(In Thousands)

**8. RISK MANAGEMENT**

The City and the Board of Education are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. For FY2015, the City and the Board of Education Property, General Liability, Auto Liability, Public Officials' Liability, Police Professional Liability, and Educators' Liability were insured by CIRMA with deductibles of \$1,000 for auto physical damage and \$-0- for other liability coverage. Law Enforcement/Public Officials/School Leaders has a \$25,000 deductible and Employee Benefits has a deductible of \$1,000. The Board of Education insures its Workers' Compensation with CIRMA.

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

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

The Property and Casualty Self Insurance Fund is an internal service fund that was established by the Board of Aldermen in April 2003 along with a self-insurance program for property and casualty insurance. This fund pays for claims that occurred between April 23, 2003 and June 30, 2008. The General Liability, Auto Liability, Public Officials' Liability, Police Professional Liability and Educator's Liability were self-insured for the first \$250 thousand dollars of each claim. There is still one claim open from this period. The City and Board of Education did not have any claims that exceeded insurance coverage in the past three years.

The claims liability reported in the Internal Service Fund at June 30, 2015 is based on GASB Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded.

	<u>Liability July 1,</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
06/30/14	\$ 221	\$	1,279	\$	1,287	\$	213
06/30/15	213		1,306		1,253		266

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

The City carries an Excess Workers' Compensation Policy with Safety National Casualty Corporation with a self-insured retention per occurrence of \$500,000. The City and Board of Education did not have any claims that exceeded insurance coverage in the past three years.

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

**CITY OF MILFORD, CONNECTICUT  
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(In Thousands)

Changes in the claims liability for the years ended June 30, 2015 and 2014 were as follows:

	<u>Liability July 1,</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
06/30/14	\$ 2,036	\$	1,185	\$	1,023	\$	2,198
06/30/15	2,198		1,854		1,500		2,552

The Health Insurance Service Fund is used to account for and finance indemnity medical coverage for eligible City, Board of Education and City Grant Agency employees and dependents, and prior employees and dependents entitled to continue participation in the City's plan under the provisions of COBRA. For the year ended June 30, 2015, the annual limit on individual medical claims chargeable to the Fund is \$100,000. Payments to the Health Insurance Fund are made by the Grant Agencies, the Sewer Use Fund, the Special Education Grants Fund, the Special Grants Fund, the Harbor Management Enterprise Fund and persons continuing coverage under COBRA in an amount equal to the premium an individual would pay for continuation coverage under the group program. The City makes General Fund contributions to the Health Insurance Fund based on budgeted amounts, which, in conjunction with estimated Grant contributions, total the year's estimated expected losses. Employee and applicable retirees under age 65 also make contributions to the fund through premium cost share. The City and Board of Education did not have any claims that exceeded insurance coverage in the past three years.

Changes in the claims liability for the years ended June 30, 2015 and 2014 were as follows:

	<u>Liability July 1,</u>		<u>Current Year Claims</u>		<u>Claim Payments</u>		<u>Liability June 30,</u>
06/30/14	\$ 1,753	\$	35,551	\$	35,304	\$	2,000
06/30/15	2,000		34,329		34,189		2,140

**9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**Plan Descriptions and Benefits Provided**

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

Management of the Retirement System rests with the Pension and Retirement Board, which consists of 24 members, who are appointed by the Board of Aldermen.

Benefits vest after 10 years for General City members (5 years for Public Works, Supervisors, Custodians and Cafeteria Workers); there is no vesting for Police and Fire members. Except for Police and Fire, members who retire after age 60 with 10 years of service (5 years for Public Works, Supervisors, Custodians and Cafeteria Workers) or the age at which the sum of age and service equal 80 (79 for non-represented members and Board of Education Contract Secretaries) are entitled to an

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annual retirement benefit, payable monthly for life, in an amount equal to 2% or 2-1/4% of their final average salary for each year of credited service. Police and Fire members who retire after 20 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 45% times average annual pay plus 2% times average annual pay times credited service over 20 years. Supplemental benefits for Police members who were hired prior to April 6, 1989 and Fire members are based on 1/2 of salary increases given to members in the grade that the member was in at the time of retirement.

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

Membership in the plan consisted of the following at July 1, 2014:

	<b>City of Milford Retirement System</b>
Retirees and beneficiaries receiving benefits	750
Terminated employees entitled to benefits but not yet receiving them	19
Active plan members	703
Total	<u>1,472</u>

**Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

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

**Method Used to Value Investments**

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

**Plan Changes**

The City benefits reflect the 2012 ad-hoc COLA that was approved effective May 1, 2013. The change increased the City cost about \$140,000.

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**Changes in Actuarial Methods and Assumptions**

The investment return assumption has been changed from 8.00% to 7.75%, net of investment expenses. This change increased costs for the City, Fire, and Police approximately \$0.5, \$0.3, and \$0.1 million respectively.

**A. City of Milford Retirement System**

General City members are required to contribute 2.25% of annual compensation up to \$4,200 plus 5% of compensation in excess of \$4,200 (4% of compensation in excess of \$4,200 for MEA and MSA members and non-represented members with 15 or more years of service). Fire employees hired on or before January 31, 2015 shall contribute 8% of annual salary; upon reaching 15 years of service, the contribution requirement is 7% and at the 25 year contribution is 6%. Fire employees hired on or after February 1, 2015 shall contribute 10%. Police employees hired prior to February 2, 1995 are required to contribute 5% of annual salary; at 20 years of service contribution is 4.5%. Police employees hired on or after February 2, 1995 but prior to November 22, 2014 are required to contribute 8%. Police employees hired on or after November 22, 2014 are required to contribute 10%. The contributions by employees are determined by collective bargaining. The City is required by ordinance to contribute the remaining amounts necessary to provide benefits for the members.

**Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Equity	25.00%
US Mid/Small Cap Equity	15.00%
International Developed Equity	10.00%
International Emerging Market Equity	5.00%
Core Fixed Income	25.00%
High Yield Fixed Income	2.50%
International Fixed Income	2.50%
REITs	5.00%
Other (hedge fund, etc.)	10.00%
	<u>100.00%</u>

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**Rate of Return**

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.62%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The components of the net pension liability at June 30, 2015, were as follows:

Total pension liability	\$ 373,063
Plan fiduciary net position	<u>335,246</u>
Net pension liability	<u>\$ 37,817</u>
 Plan fiduciary net position as a percentage of the total pension	 89.86%

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Age related table
Investment rate of return	7.75%
Cost of living adjustments:	
Post-retirement benefit increases	None, except for Police hired after April 6, 1989 - 3%/annum

Mortality rates were based on the RP-2000 Fully Projected Mortality Table with male and female rates and separate tables for employees and annuitants. The actuarial method used for calculating the total pension liability was the Entry Age Normal cost method.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2011.

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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 as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap Equity	4.75%
US Mid/Small Cap Equity	5.50%
International Developed Equity	5.25%
International Emerging Market Equity	6.00%
Core Fixed Income	2.00%
High Yield Fixed Income	3.25%
International Fixed Income	2.50%
REITs	5.00%
Other (hedge fund, etc.)	5.25%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was changed from 8.0% since the prior measurement date.

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**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of June 30, 2014	\$ 353,977	\$ 354,294	\$ (317)
Changes for the year:			
Service cost	7,299		7,299
Interest on total pension liability	27,998		27,998
Changes in benefit terms	(1,759)		(1,759)
Differences between expected and actual experience	(908)		(908)
Changes in assumptions	9,513		9,513
Employer contributions		3,925	(3,925)
Member contributions		2,332	(2,332)
Net investment income		(2,192)	2,192
Benefit payments, including refund to employee contributions	(23,057)	(23,057)	-
Administrative expenses		(76)	76
Other changes		20	(20)
Net changes	<u>19,086</u>	<u>(19,048)</u>	<u>38,134</u>
Balances as of June 30, 2015	\$ <u>373,063</u>	\$ <u>335,246</u>	\$ <u>37,817</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<b>Current</b>		
	<b>1% Decrease (6.75%)</b>	<b>Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City Net Pension Liability	\$ 79,252	\$ 37,817	\$ 2,894



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**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$11,093. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 746
Changes of assumptions	7,814	
Net difference between projected and actual earnings on pension plan investments	<u>23,898</u>	
Total	<u>\$ 31,712</u>	<u>\$ 746</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year Ending June 30,**

2016	\$	7,512
2017		7,512
2018		7,511
2019		7,511
2020		920

**B. State of Connecticut Police and Fire Survivors' Plan**

The City makes monthly contributions to the State Survivors' Plan based upon an amount invoiced by the State. The State Survivors' Plan makes monthly payments to the surviving spouses of police and fire retirees. The City has no information concerning payments made by or the funding status of this plan. City contributions for the year ended June 30, 2015 were \$479.

**C. Connecticut State Teachers' Retirement System**

**Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

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**Benefit Provisions**

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Normal Retirement**

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

**Early Retirement**

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

**Disability Retirement**

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**Contributions**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

*Employer (School Districts)*

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

*Employees*

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the City as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>131,584</u>
Total	<u>\$ 131,584</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the City recognized pension expense and revenue of \$9,872,570 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	4.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	4.0%	0.4%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The City's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the City has no obligation to contribute to the plan.

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**10. OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Description and Benefits Provided**

**City**

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

Pre-65:	
General City	\$11,129 per year
Fire	\$10,807 per year
Police	\$10,807 per year
Post-65:	
BC 65 Low Option	\$1,532 per year
Plan 82	\$2,565 per year
Medicare Part B:	
Actives	\$1,379 per year
Retirees	\$1,259 per year

**Board of Education**

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

Teachers: Prior to age 65 retiree and spouse pay full premium minus the Teachers' Retirement Board subsidy (eligible if receiving a retirement allowance from the Teacher's Retirement Board). Post 65, Board of Education pays premium in full for participant only, spouse pays premium minus subsidy. Effective September 1, 2014, Board of Education pays the premium for insurance obtained through the Teachers' Retirement board for the participant only.

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

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

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Secretaries: No cost to retiree or spouse if retiree is at least 60 with 10 years of service at retirement or age plus service equals 79. (Note: Rule of 79 also applies to custodians and cafeteria workers.) If employee was hired after June 30, 2002, retiree and spouse pay same cost share as active employees until age 65.

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

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

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

Pre-65 (for current active members who retire):	<u>As of July 1, 2014:</u>
Board of Ed-Café	\$11,774 per year
Board of Ed-Cust	\$10,915 per year
Board of Ed-Sec	\$10,848 per year
Board of Ed-Para	\$10,936 per year
Administrators	\$10,565 per year
Teachers	\$10,936 per year
Pre-65 (for current retirees who are under 65):	
Based on plan selected	
Post-65 (for current active members who retire and current retirees who are over 65):	<u>As of 1/1/15:</u>
Plan 82 only	\$1,022 per year
Hi Option with Plan 82 and Major Medical (\$50,000)	\$4,825 per year
Hi Option with Plan 82 and Major Medical (\$250,000)	\$4,949 per year
Hi Option with Plan 82 and No Rx	\$2,344 per year
Plan F with Rx	\$6,941 per year
Medicare Part B:	
Retirees	\$1,259 per year
Post-65 (for current retirees who are under 65):	
Based on plan selected - Dental plan	\$513 per year

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**B. Membership**

Membership in the plan consisted of the following at July 1, 2014:

	<b>Board of Education Retiree Medical Benefit Plan</b>	<b>City of Milford Retiree Medical Benefit Plan</b>
Number of retirees and eligible surviving spouses	584	519
Number of active participants	957	521
Total	<u>1,541</u>	<u>1,040</u>

**C. Description of Actuarial Assumptions and Methods**

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

	<b>Board of Education Retiree Medical Benefit Plan</b>	<b>City of Milford Retiree Medical Plan</b>
Actuarial valuation date	July 1, 2014	July 1, 2014
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar	Level dollar
Remaining amortization period	30 years - open	30 years - open
Actuarial assumptions:		
Investment rate of return	5.0%/annum	5.0%/annum
Projected salary increases	4.5%/annum	n/a

**Medical Trend Rates**

**Board of Education and City retirees**

9% in 2014, reducing by 0.5% each year to a final 5% per year rate for 2022 and later for pre-age 65 plans. 8% in 2014, reducing by 1.0% each year to a final 5% per year rate for 2017 and later for post-age 65 plans.

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**Retirement Assumptions**

**City**

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

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

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

**Board of Education**

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

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

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

**D. Annual OPEB Cost and Net OPEB Obligations**

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

	<b>Board of Education Retiree Medical Benefit Plan</b>	<b>City of Milford Retiree Medical Benefit Plan</b>
Annual required contribution	\$ 14,781	\$ 12,455
Interest on net OPEB obligation	3,216	2,696
Adjustment to annual required contribution	<u>(3,985)</u>	<u>(3,341)</u>
Annual OPEB cost	14,012	11,810
Contribution made	<u>5,094</u>	<u>6,498</u>
Increase in net OPEB obligation	8,918	5,312
Net OPEB obligation, July 1, 2014	<u>64,310</u>	<u>53,930</u>
Net OPEB obligation, June 30, 2015	<u>\$ 73,228</u>	<u>\$ 59,242</u>



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The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2015 is presented below.

	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
<b>Board of Education</b>				
6/30/13	\$ 13,860	\$ 3,741	27.0%	\$ 53,877
6/30/14	13,863	3,429	27.7%	64,310
6/30/15	14,012	5,094	36.4%	73,228
<b>City</b>				
6/30/13	\$ 14,297	\$ 6,425	44.9%	\$ 48,671
6/30/14	11,666	6,407	54.9%	53,930
6/30/15	11,810	6,498	55.0%	59,242

**Schedule of Employer Contributions**

<u>Board of Education</u>		
<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of ARC Contributed</u>
6/30/10	\$ 12,414	22.2%
6/30/11	13,035	27.8
6/30/12	13,698	29.0
6/30/13	14,383	26.0
6/30/14	14,507	23.6
6/30/15	14,781	34.5
<u>City</u>		
<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of ARC Contributed</u>
6/30/10	\$ 14,070	35.4%
6/30/11	14,773	34.4
6/30/12	14,081	57.6
6/30/13	14,785	43.4
6/30/14	12,248	52.3
6/30/15	12,455	52.2

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

**Schedule of Funding Progress**

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

**City**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Underfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u>
7/1/10	\$ -	\$ 133,711	\$ 133,711	-	\$ 32,996	405.0%
7/1/12	2,232	129,798	127,565	1.72%	34,856	366.0%
7/1/14	4,090	126,084	121,994	3.24%	35,442	344.0%

**Board of Education**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Underfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll ((b-a)/c)</u>
7/1/10	\$ -	\$ 131,639	\$ 131,639	-	\$ 62,165	212.0%
7/1/12	-	142,358	142,358	-	61,276	232.3%
7/1/14	-	145,420	145,420	-	57,803	251.6%

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

**11. PENSION AND OPEB TRUST FUNDS COMBINING SCHEDULES**

**Combining Schedule of Net Position - Trust Funds**

	<u>Pension Trust Funds</u>	<u>City OPEB Trust Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 20,538	\$ 23	\$ 20,561
Investments:			
Certificate of deposits			
Corporate bonds	24,290		24,290
Foreign bonds	600		600
U.S. government obligations	11,731		11,731
Marketable equity securities	157,681		157,681
Asset backed securities	13,128		13,128
Alternative investments	106,412		106,412
Mutual funds	927	4,606	5,533
Total investments	<u>314,769</u>	<u>4,606</u>	<u>319,375</u>
Receivables	<u>19</u>		<u>19</u>
Total assets	335,326	4,629	339,955
Liabilities:			
Accounts and other payables	<u>80</u>		<u>80</u>
Net Position:			
Held in Trust for Retirement Benefits	<u>\$ 335,246</u>	<u>\$ 4,629</u>	<u>\$ 339,875</u>

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

**Combining Schedules of Changes in Net Position - Trust Funds**

	<b>Pension Trust Funds</b>	<b>City OPEB Trust Fund</b>	<b>Total</b>
Additions:			
Contributions:			
Plan members	\$ 3,925	\$	\$ 3,925
Employer-current year	2,332	11,592	13,924
Employer-additional		502	502
Total contributions	<u>6,257</u>	<u>12,094</u>	<u>18,351</u>
Miscellaneous	<u>20</u>		<u>20</u>
Investment income:			
Net change in fair value of investments	(20,519)	(174)	(20,693)
Interest and dividends	<u>21,064</u>	<u>224</u>	<u>21,288</u>
	545	50	595
Less investment expense	<u>2,737</u>	<u>14</u>	<u>2,751</u>
Net investment gain (loss)	<u>(2,192)</u>	<u>36</u>	<u>(2,156)</u>
Total additions	<u>4,085</u>	<u>12,130</u>	<u>16,215</u>
Deductions:			
Benefit payments and withdrawals	23,057	11,591	34,648
Administration	<u>76</u>		<u>76</u>
Total deductions	<u>23,133</u>	<u>11,591</u>	<u>34,724</u>
Net Change	(19,048)	539	(18,509)
Net position held in trust, beginning of year	<u>354,294</u>	<u>4,090</u>	<u>358,384</u>
Net Position Held in Trust, End of Year	<u>\$ 335,246</u>	<u>\$ 4,629</u>	<u>\$ 339,875</u>

**CITY OF MILFORD, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

(In Thousands)

**12. FUND BALANCE**

Significant encumbrances at June 30, 2015 are contained in the table below in both the assigned and committed categories of the General Fund.

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Sanitary Sewer Fund</u>	<u>School Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:							
Nonspendable:							
Inventory	\$	\$	\$	\$	\$	\$ 28	\$ 28
Prepays	21		13				34
Restricted for:							
Grants						468	468
Committed to:							
Capital projects		4,616	2,603				7,219
General government	1,055					5,618	6,673
Education						1,928	1,928
Debt service						3,743	3,743
Assigned to:							
Subsequent year's budget	3,500						3,500
Debt service	465						465
Encumbrances:							
General government	668						668
Public safety	380						380
Public services	324						324
Health and welfare	28						28
Education	2,331						2,331
Unassigned	<u>16,336</u>			<u>(4,216)</u>	<u>(11,848)</u>	<u>(174)</u>	<u>98</u>
Total Fund Balances	<u>\$ 25,108</u>	<u>\$ 4,616</u>	<u>\$ 2,616</u>	<u>\$ (4,216)</u>	<u>\$ (11,848)</u>	<u>\$ 11,611</u>	<u>\$ 27,887</u>

**13. CONTINGENT LIABILITIES (AMOUNTS NOT ROUNDED)**

On June 30, 2005, the City and Milford Power Company, LLC (the MPC) entered into a Property Tax Payment Agreement. The MPC withdrew its assessment appeals for Grand Lists of 2001, 2002, 2003, and 2004. The assessment had been \$183,073,530 generating over \$5,000,000 in taxes. (The assessment and the taxes would have significantly decreased in future years due to depreciation of the personal property.) In return, the City accepted scheduled payments in lieu of taxes for the fiscal years of 2006 through 2015. Payments will be made in July and January of each fiscal year. The payment schedule was \$1,687,500 for each six-month period from July 2005 through January 2009. Payments were \$1,875,000 for each six-month period from July 2009 through January 2011 and will be \$1,750,000 for each six-month period from July 2011 through January 2015. The MPC made the July 2014 and January 2015 payments and is up to date with all their payments.

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

**CITY OF MILFORD, CONNECTICUT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

**(In Thousands)**

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

On June 24, 2013, the City settled a tax appeal with the Connecticut Post Mall Limited Partnership. Under this settlement, the City lowered its real property assessment for the 2012 Grand List from \$147,529,970 to \$133,000,000. Additionally, the City adjusted its 2011 assessment to \$133,000,000. This resulted in a total credit due to the Partnership of \$752,764. By terms of the court-approved settlement, the credit will be given to the Partnership over two fiscal years in the form of a credit tax bill, which began in July 2013 and ended in July 2014.

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

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

The City has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under the terms of the grant. Based on prior experience, City management believes that such disallowances, if any, will not be material.

**14. SUBSEQUENT EVENT**

On November 9, 2015, the City issued \$8,350 of general obligation bonds and \$13,360 and \$2,580 of bond anticipation notes maturing November 1, 2035, May 9, 2016 and November 7, 2016, respectively. The general obligation bonds and bond anticipation notes carry interest rates of 2.0-5.0% and 1.0%, respectively.

**15. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Net position at June 30, 2014, as previously reported	\$ 94,805
Adjustments:	
Eliminate net pension assets reported per GASB No. 27	(21)
Record net pension asset per GASB No. 68	317
	<u>317</u>
Net Position at July 1, 2014, as Restated	<u>\$ 95,101</u>

**Required Supplementary  
Information**

**CITY OF MILFORD, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General Property Taxes and Assessments:				
Current taxes	\$ 168,577	\$ 168,577	\$ 170,447	\$ 1,870
Personal property audit	100	100	241	141
Prior year's levies	1,700	1,700	1,100	(600)
Flood and erosion assessments	71	71	43	(28)
Suspense collections	8	8	28	20
Total general property taxes and assessments	<u>170,456</u>	<u>170,456</u>	<u>171,859</u>	<u>1,403</u>
Fines, Forfeitures Penalties and Interest:				
Interest and liens	<u>1,200</u>	<u>1,200</u>	<u>1,199</u>	<u>(1)</u>
Federal, State and Local Governments:				
Other State grants	100	100	100	-
School transportation aid - State	260	260	266	6
Education cost sharing	11,382	11,382	11,412	30
State realty in lieu of tax	556	556	556	-
Pequot State Aid	399	399	399	-
Elderly tax credit	460	460	470	10
Total disability exemptions			6	6
PILOT - private exemptions	456	456	448	(8)
Veteran grants	155	155	150	(5)
School debt - interest	29	29	29	-
School debt - principal	258	258	258	-
Telephone access grant	105	105	107	2
Shellfish Taxes	2	2	3	1
State aid for health	112	112	107	(5)
OTB Wagering Share	75	75	70	(5)
Total federal, state and local government	<u>14,349</u>	<u>14,349</u>	<u>14,381</u>	<u>32</u>
Investment Income:				
Investments in idle funds	13	13	39	26
Rental of other property	46	46	50	4
Total investment income	<u>59</u>	<u>59</u>	<u>89</u>	<u>30</u>

(Continued on next page)



**CITY OF MILFORD, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Revenue:				
Rental of school property	\$ 12	\$ 12	\$ 11	\$ (1)
PILOT - Water Authority	432	432	427	(5)
Power Plant Settlement	3,500	3,500	3,500	-
Genconn PT	2,025	2,025	2,025	-
Miscellaneous other revenues	4	4	106	102
Inland wetland fees	2	2	8	6
Total other revenue	<u>5,975</u>	<u>5,975</u>	<u>6,077</u>	<u>102</u>
Licenses, Permits and Other Charges:				
Devices and amusements	19	19	21	2
Vending permits	7	7	9	2
Disposal area licenses	45	45	49	4
Recording documents	355	355	380	25
Conveyance tax	600	600	848	248
General copying fees	75	75	77	2
Fire Department fees	2	2	15	13
Paramedic fees	100	100	210	110
Building inspection fees	625	625	657	32
Police fines and forfeits	60	60	20	(40)
Fingerprinting	12	12	9	(3)
False alarm fees	23	23	24	1
Fire Department false alarm fines	1	1		(1)
Street opening permits	7	7	8	1
Engineering fees	4	4	6	2
Residential waste fees	80	80	103	23
Health inspection fees	73	73	77	4
Planning and zoning fees	28	28	39	11
Zoning appeals fees	8	8	5	(3)
Recreation fees	47	47	58	11
Walnut Beach parking	13	13	17	4
Parking fines judicial	10	10	14	4
Vehicle violations judicial	18	18	34	16
Mobile fee	3	3	2	(1)
Sewer assessments	3	3	19	16
Animal shelter redemption	5	5	6	1
Dog Fund - City share	7	7	12	5

(Continued on next page)

**CITY OF MILFORD, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Licenses, Permits and Other Charges (continued):				
Sale of Other Property	\$	\$	\$ 10	\$ 10
Recycling revenues	65	65	120	55
PILOT - Federal payments	1	1	1	-
Sticker fees	1	1	1	-
Bingo permits share	1	1	1	-
Total licenses, permits and other charges	<u>2,298</u>	<u>2,298</u>	<u>2,852</u>	<u>554</u>
Total revenues	<u>194,337</u>	<u>194,337</u>	<u>196,457</u>	<u>2,120</u>
Other financing sources:				
Use of fund balance	4,000	4,568		
Sale of capital assets			80	80
Total other financing sources	<u>4,000</u>	<u>4,568</u>	<u>80</u>	<u>80</u>
Total Budgeted Revenues and Other Financing Sou	\$ <u>198,337</u>	\$ <u>198,905</u>	196,537	\$ <u>2,200</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			9,873	
Premium on bond issuance			477	
Premium on refunding bonds			2,527	
Proceeds from sale of refunding bonds			14,935	
Encumbrances for purchases and commitments that were subsequently cancelled in the next fiscal year			(48)	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u>224,301</u>	

**CITY OF MILFORD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Uncommitted Balance</u>
	<u>Original</u>	<u>Amended</u>		
General Government:				
Board of Aldermen	\$ 6	\$ 6	\$ 4	\$ 2
Elections	130	130	105	25
Registrar of Voters	147	147	145	2
Milford Govt Access Television	16	16	15	1
Mayor's Office	268	267	266	1
General expenses	435	403	346	57
Community Development Department	114	114	114	-
City Clerk	364	368	363	5
Law Department	607	579	578	1
Ethics Commission	1	1		1
Probate Court	17	17	16	1
Board of Finance	1	1	1	-
Planning and Zoning Board	994	990	901	89
Board of Tax Review	3	3	2	1
Board of Zoning Appeals	11	11	6	5
Pension Board	4	4	4	-
Flood and Erosion Board	1	1	1	-
Tree Commission	2	2	1	1
Park and Recreation Commission	2	2		2
Conservation Commission	1	1		1
Flower memorial commission	6	6	5	1
Public library	1,087	1,087	1,058	29
Total general government	<u>4,217</u>	<u>4,156</u>	<u>3,931</u>	<u>225</u>
Administration:				
Finance Department	1,679	1,652	1,577	75
Data Processing Department	745	745	723	22
Personnel Department	208	208	199	9
Total administration	<u>2,632</u>	<u>2,605</u>	<u>2,499</u>	<u>106</u>
Public Safety:				
Police Department	11,554	11,377	11,046	331
Fire Department	11,285	11,247	11,182	65
Civil Preparedness	95	95	93	2
Animal Control	328	308	282	26
Lighting hydrant water	1,795	1,853	1,848	5
Total public safety	<u>25,057</u>	<u>24,880</u>	<u>24,451</u>	<u>429</u>

(Continued on next page)

**CITY OF MILFORD, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

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**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Uncommitted Balance</u>
	<u>Original</u>	<u>Amended</u>		
Public Services:				
Public Works Office	\$ 269	\$ 269	\$ 249	\$ 20
Highway-parks division	2,579	2,498	2,316	182
Building maintenance division	3,011	3,179	3,063	116
Engineering division	374	374	305	69
General garage division	1,258	1,514	1,410	104
Solid waste operations	4,689	4,309	4,197	112
Total public services	<u>12,180</u>	<u>12,143</u>	<u>11,540</u>	<u>603</u>
Board of Education:				
Private School textbooks	20	20	20	-
Educational audit fees	22	22	22	-
Employee benefits	1,199	1,199	1,037	162
Educational operations	89,213	89,148	89,148	-
Educational Contribution Health Insurance Fund	19,067	19,067	19,067	-
Educational School Nurses	1,355	1,355	1,308	47
Total board of education	<u>110,876</u>	<u>110,811</u>	<u>110,602</u>	<u>209</u>
Health and Welfare:				
Health Department	938	937	843	94
Recreation Department	810	809	777	32
Total health and welfare	<u>1,748</u>	<u>1,746</u>	<u>1,620</u>	<u>126</u>
General Charges:				
Employee benefits - general	21,716	21,893	21,369	524
Insurance and bonds	1,683	1,683	1,667	16
Claims and refunds	640	630	455	175
Benefits and salary reserve	99	99	99	-
Unallocated contingency	25	8		8
Total general charges	<u>24,163</u>	<u>24,313</u>	<u>23,590</u>	<u>723</u>
Grants to Agencies:				
Milford Council on Aging	1,346	1,346	1,345	1
Milford Fine Arts Council	68	68	68	-
CMED	95	108	108	-
Regional Mental Health Board	3	3	3	-
Borough of Woodmont	220	220	220	-
Milford Transit District	345	345	345	-
Milford Mental Health	350	350	350	-
Veterans' Graves	2	2	2	-
U.S. Coast Guard Auxiliary	10	10	10	-

(Continued on next page)

**CITY OF MILFORD, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015**

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**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Expenditures and Encumbrances</u>	<u>Uncommitted Balance</u>
	<u>Original</u>	<u>Amended</u>		
Grants to Agencies (continued):				
Milford Historical District Commission	\$ 1	\$ 1	\$ 1	\$ -
Milford Historic #2	1	1	1	-
Visiting Nurses Association	41	41	41	-
Cemetery Association	9	9	9	-
Boys and Girls Club	70	70	70	-
Homeless Shelter/CPAC	80	80	80	-
Total grants to agencies	<u>2,641</u>	<u>2,654</u>	<u>2,653</u>	<u>1</u>
Debt Service:				
Public Debt Service	9,850	9,850	9,415	435
School Debt	4,483	4,483	4,274	209
Total debt service	<u>14,333</u>	<u>14,333</u>	<u>13,689</u>	<u>644</u>
Other Financing Uses:				
Transfers out	490	1,264	1,264	-
Total	<u>\$ 198,337</u>	<u>\$ 198,905</u>	195,839	<u>\$ 3,066</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	9,873
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	(3,731)
Prior year encumbrances reported in the current year for financial reporting purposes	2,911
Payment to refunded bond escrow agent	17,312
Issuance costs on bond refunding	150
Change in Board of Education's Summer Payroll originally charged to subsequent years budget for budgetary purposes	<u>(313)</u>

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

\$ 222,041

**CITY OF MILFORD, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

(In Thousands)

	<u>2014</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 7,087	\$ 7,299
Interest	27,046	27,998
Changes of benefits terms		(1,759)
Differences between expected and actual experience		(908)
Changes of assumptions		9,513
Benefit payments, including refunds of member contributions	<u>(21,862)</u>	<u>(23,057)</u>
Net change in total pension liability	12,271	19,086
Total pension liability - beginning	<u>341,706</u>	<u>353,977</u>
Total pension liability - ending	<u>353,977</u>	<u>373,063</u>
Plan fiduciary net position:		
Contributions - employer	2,225	3,925
Contributions - member	2,169	2,332
Net investment income	44,193	(2,192)
Benefit payments, including refunds of member contributions	(21,862)	(23,057)
Administrative expense	(48)	(76)
Other	11	20
Net change in plan fiduciary net position	<u>26,688</u>	<u>(19,048)</u>
Plan fiduciary net position - beginning	<u>327,606</u>	<u>354,294</u>
Plan fiduciary net position - ending	<u>354,294</u>	<u>335,246</u>
Net Pension Liability (Asset) - Ending	<u>\$ (317)</u>	<u>\$ 37,817</u>
Plan fiduciary net position as a percentage of the total pension asset	100.09%	89.86%
Covered-employee payroll	\$ 42,773	\$ 43,811
Net pension asset as a percentage of covered-employee payroll	0.74%	86.32%

**CITY OF MILFORD, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

(In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ 974	\$ 1,213	\$ 1,129	\$ -	\$ -	\$ -	\$ 342	\$ 324	\$ 2,225	\$ 5,871
Contributions in relation to the actuarially determined contribution	974	1,000	1,360	-	-	-	342	324	2,225	3,925
Contribution Deficiency (Excess)	\$ -	\$ 213	\$ (231)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,946
Covered-employee payroll	\$ 35,892	\$ 38,610	\$ 39,663	\$ 40,141	\$ 40,550	\$ 40,622	\$ 41,597	\$ 43,010	\$ 42,773	\$ 43,811
Contributions as a percentage of covered-employee payroll	2.71%	2.59%	3.43%	0.00%	0.00%	0.00%	0.82%	0.75%	5.20%	8.96%

**Notes to Schedule**

Valuation date: July, 1 2014  
Measurement date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Method, level percentage of salary
Amortization method	None
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Age related table
Investment rate of return	7.75%
Retirement age	Age related table
Mortality	Based on the RP-2000 Fully Projected Mortality Table with male and female rates and separate table for employees and annuitants

**CITY OF MILFORD, CONNECTICUT  
SCHEDULE OF INVESTMENT RETURNS  
LAST TWO FISCAL YEARS**

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	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	13.78%	-0.62%



**CITY OF MILFORD, CONNECTICUT  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS RETIREMENT PLAN  
 LAST FISCAL YEAR**

**(In Thousands)**

	<u>2015</u>
City's proportion of the net pension liability	0.00%
City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>131,584</u>
Total	<u>\$ 131,584</u>
City's covered-employee payroll	\$ 49,466
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

**Notes to Schedule**

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market