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Independent Auditors' Report

To the Board of Finance
Town of New Milford, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of New Milford, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town of New Milford, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of New Milford, Connecticut, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-14 and the respective budgetary comparison for the general fund on pages A-52 through A-58 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Blum, Shapiro & Company, P.C.

February 23, 2011

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

The management of the Town of New Milford, Connecticut (the Town), offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$180,142,172 (net assets). Of this amount, \$66,699,330 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's changes in net assets for the year ended June 30, 2010 amounted to \$300,166.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,843,201, an decrease of \$6,844,224 in comparison with the prior year ending fund balances, as restated. Of this amount 45% or \$6,285,731 of governmental ending fund balances are available for spending at the Town's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$10,702,392 or 11.7% of total General Fund expenditures. Designations of unreserved fund balance for "Subsequent year's budget," "Bridge project" and "for Capital projects" totaled \$323,596, \$68,140 and \$927,115, respectively, as of June 30, 2010.
- The Town's total long-term bonded debt had a decrease of \$3,871,705 or 10.7% during the current fiscal year due to regularly scheduled principal repayments and aggressive refinancing.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)

Government-Wide Financial Statements (*Continued*)

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

The government-wide financial statements can be found on Exhibits I and II of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The Town maintains 50 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Waste Management Ordinance and the Sewer Expansion Fund, all of which are considered to be major funds. Data from 29 Special Revenue Funds and 18 Capital Project Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits III, IV and V of this report.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)

Fund Financial Statements (*Continued*)

Proprietary Funds

The Town maintains two types of proprietary funds.

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

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

The basic proprietary fund financial statements can be found on Exhibits VI, VII and VIII of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The Town has five Private Purpose Trust Funds, one Pension Trust Fund and six Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibits IX and X of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-51 of this report.

Other Information

Combining and individual fund statements and schedules can be found on pages 52-79 of this report, and other supplemental information can be found on pages 80-81 of this report.

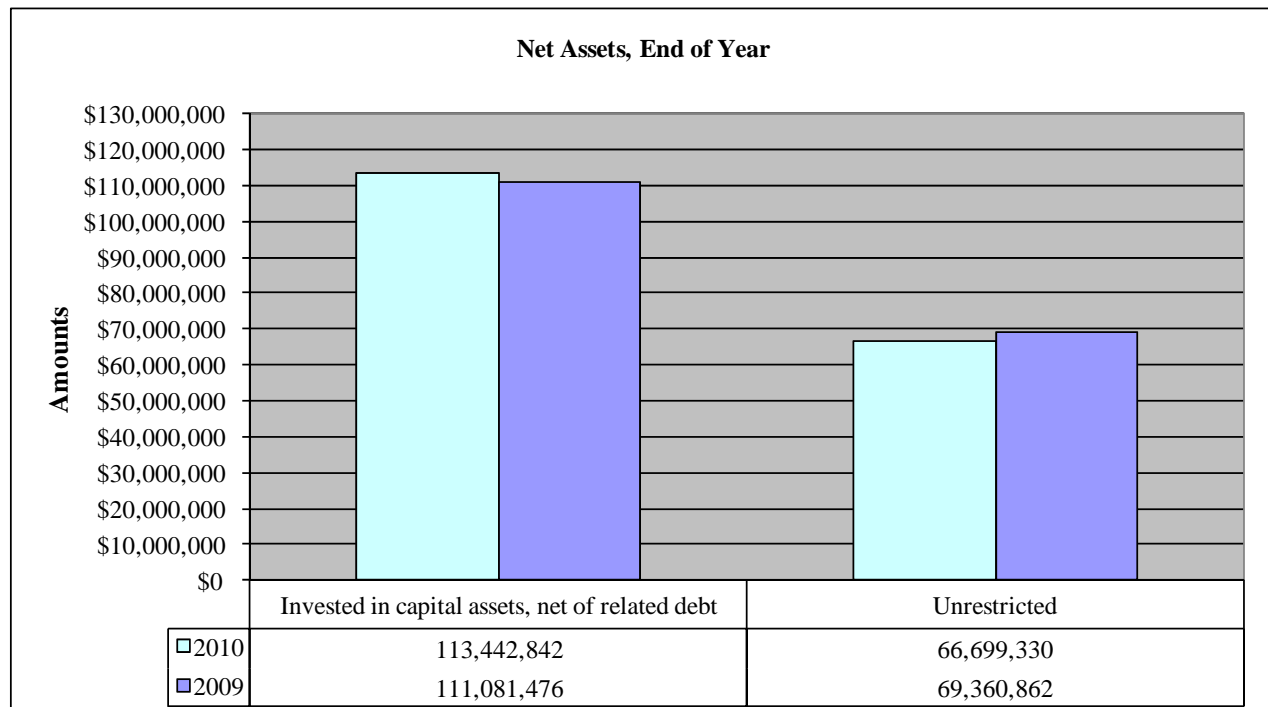
**TOWN OF NEW MILFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Over time, net assets may serve as one measure of a government's financial position. Total net assets (governmental and business-type activities combined) of the Town totaled \$180,142,172 as of June 30, 2010 and \$180,442,338 as of June 30, 2009 and are summarized as follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|------------------------------------|-----------------------|-------------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Current assets | \$ 77,981,189 | \$ 76,621,854 | \$ 4,681,975 | \$ 5,182,962 | \$ 82,663,164 | \$ 81,804,816 |
| Capital assets, net of accumulated depreciation | <u>144,552,724</u> | <u>138,162,710</u> | <u>17,706,610</u> | <u>18,171,439</u> | <u>162,259,334</u> | <u>156,334,149</u> |
| Total assets | <u>222,533,913</u> | <u>214,784,564</u> | <u>22,388,585</u> | <u>23,354,401</u> | <u>244,922,498</u> | <u>238,138,965</u> |
| Long-term liabilities outstanding | 38,771,809 | 42,686,478 | 4,670,234 | 5,125,753 | 43,442,043 | 47,812,231 |
| Current liabilities | <u>21,038,715</u> | <u>9,613,258</u> | <u>299,568</u> | <u>271,138</u> | <u>21,338,283</u> | <u>9,884,396</u> |
| Total liabilities | <u>59,810,524</u> | <u>52,299,736</u> | <u>4,969,802</u> | <u>5,396,891</u> | <u>64,780,326</u> | <u>57,696,627</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 100,406,466 | 98,035,790 | 13,036,376 | 13,045,686 | 113,442,842 | 111,081,476 |
| Restricted | | | | | | |
| Unrestricted | <u>62,316,923</u> | <u>64,449,038</u> | <u>4,382,407</u> | <u>4,911,824</u> | <u>66,699,330</u> | <u>69,360,862</u> |
| Total Net Assets | <u>\$ 162,723,389</u> | <u>\$ 162,484,828</u> | <u>\$ 17,418,783</u> | <u>\$ 17,957,510</u> | <u>\$ 180,142,172</u> | <u>\$ 180,442,338</u> |



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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)

As of June 30, 2010, 63% of the Town's net assets reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Overall, net assets decreased by \$300,166 in comparison to the prior year net assets, as restated.

Changes in Net Assets

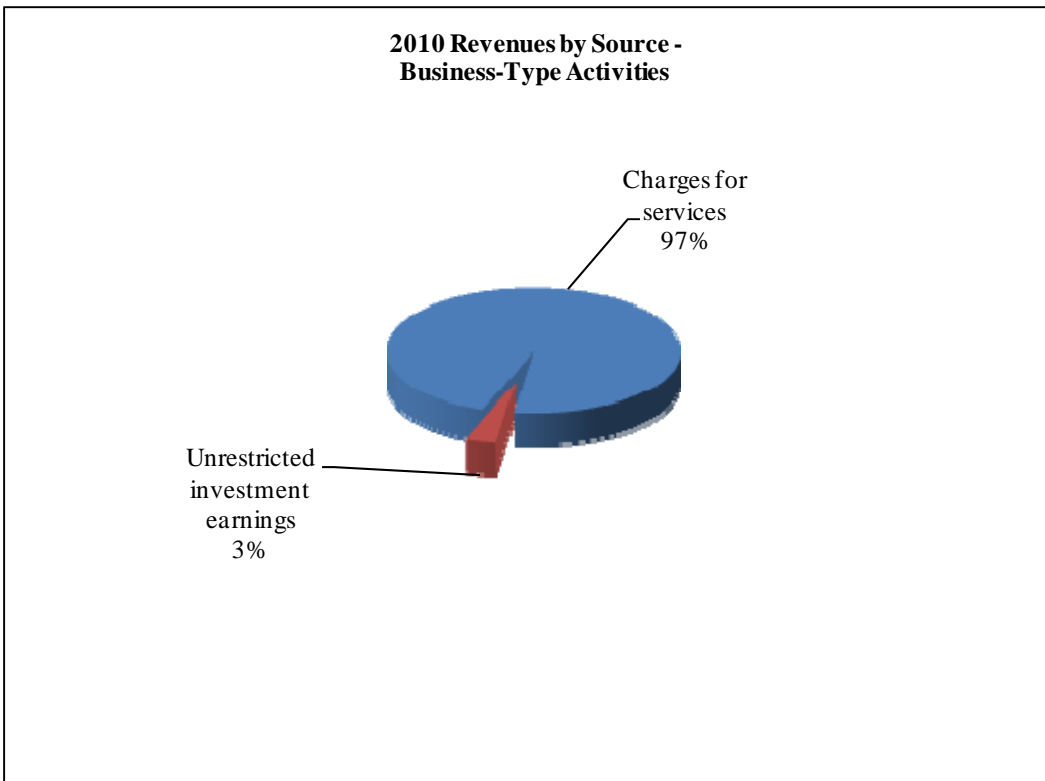
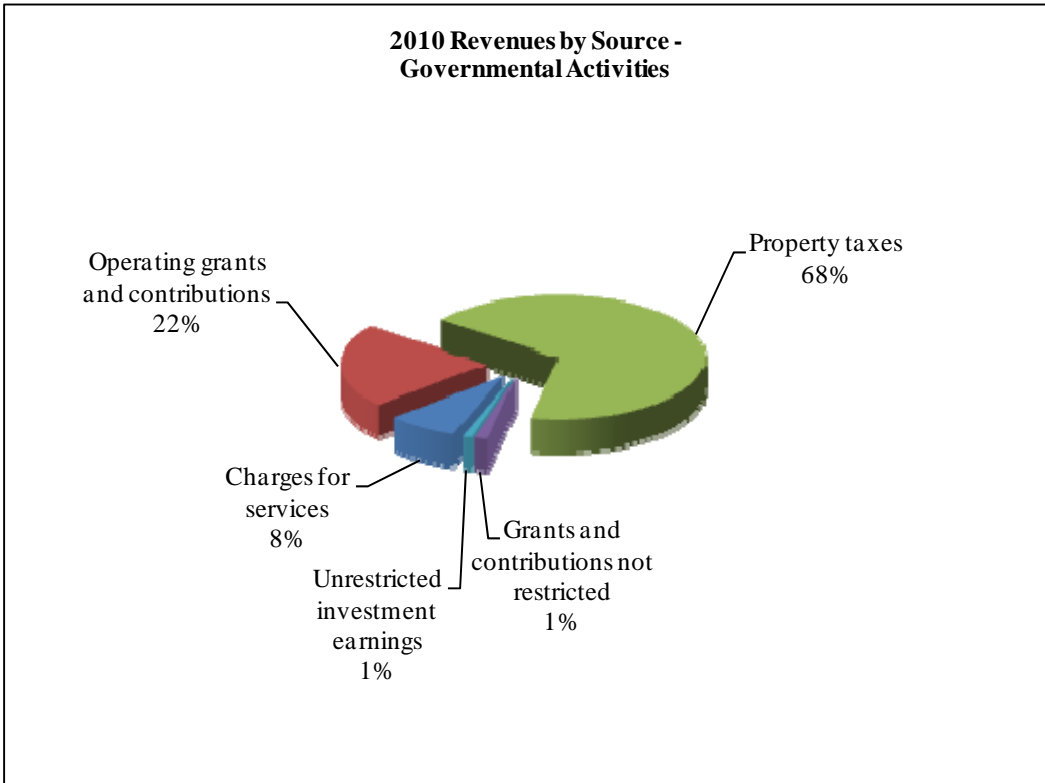
Changes in net assets for the years ended June 30, 2010 and 2009 are as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|--------------------------|-------------------------------------|-------------------------|---------------------------|---------------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,814,765 | \$ 7,486,843 | \$ 1,651,818 | \$ 2,450,637 | \$ 9,466,583 | \$ 9,937,480 |
| Operating grants and contributions | 21,906,940 | 22,102,111 | | | 21,906,940 | 22,102,111 |
| Capital grants and contributions | 1,984,016 | | | | 1,984,016 | - |
| General revenues: | | | | | | |
| Property taxes | 67,923,019 | 67,324,300 | | | 67,923,019 | 67,324,300 |
| Grants not restricted to specific programs | 1,495,654 | 1,300,632 | | | 1,495,654 | 1,300,632 |
| Unrestricted investment earnings | 244,666 | 451,827 | 58,905 | 61,850 | 303,571 | 513,677 |
| Miscellaneous revenue | 154,251 | 216,058 | | | 154,251 | 216,058 |
| Total revenues | <u>101,523,311</u> | <u>98,881,771</u> | <u>1,710,723</u> | <u>2,512,487</u> | <u>103,234,034</u> | <u>101,394,258</u> |
| Expenses: | | | | | | |
| General government | 10,009,216 | 4,817,626 | | | 10,009,216 | 4,817,626 |
| Public safety | 6,933,380 | 8,559,899 | | | 6,933,380 | 8,559,899 |
| Public works | 8,440,085 | 8,808,273 | | | 8,440,085 | 8,808,273 |
| Health and welfare | 2,679,518 | 3,298,573 | | | 2,679,518 | 3,298,573 |
| Library | 993,820 | 1,372,717 | | | 993,820 | 1,372,717 |
| Culture and recreation | 1,665,130 | 2,022,136 | | | 1,665,130 | 2,022,136 |
| Education | 68,654,271 | 68,583,832 | | | 68,654,271 | 68,583,832 |
| Interest on long-term debt | 1,909,330 | 823,746 | | | 1,909,330 | 823,746 |
| Water Pollution Control Authority | | | 2,249,450 | 2,486,992 | 2,249,450 | 2,486,992 |
| Total expenses | <u>101,284,750</u> | <u>98,286,802</u> | <u>2,249,450</u> | <u>2,486,992</u> | <u>103,534,200</u> | <u>100,773,794</u> |
| Change in net assets | 238,561 | 594,969 | (538,727) | 25,495 | (300,166) | 620,464 |
| Net Assets at Beginning of Year, as Restated | <u>162,484,828</u> | <u>161,889,859</u> | <u>17,957,510</u> | <u>17,932,015</u> | <u>180,442,338</u> | <u>179,821,874</u> |
| Net Assets at End of Year | <u>\$ 162,723,389</u> | <u>\$ 162,484,828</u> | <u>\$ 17,418,783</u> | <u>\$ 17,957,510</u> | <u>\$ 180,142,172</u> | <u>\$ 180,442,338</u> |

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

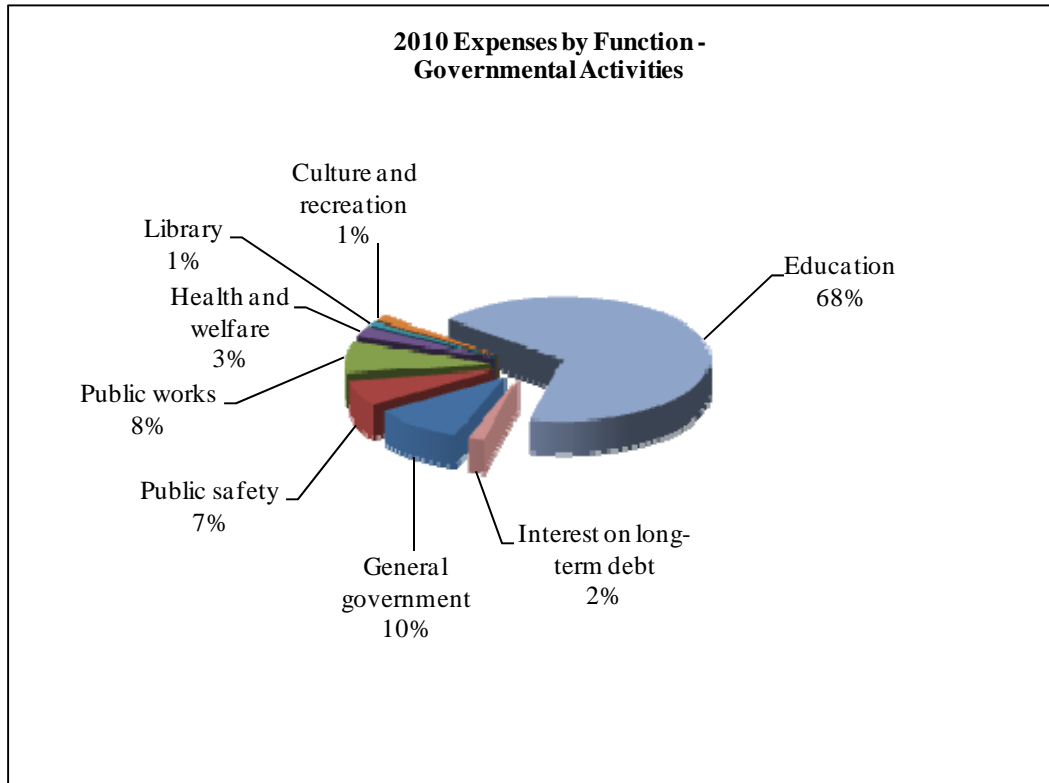
Changes in Net Assets (Continued)



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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets (Continued)



Governmental Activities

Governmental activities increased the Town's net assets by \$238,561.

Business-Type Activities

Business-type activities decreased the Town's net assets by \$538,727.

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

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,843,201, a decrease of \$6,844,224 in comparison with the prior year ending fund balances, as restated. This is mainly the result of funding a \$30 million sewer plant expansion project with temporary borrowing at a lesser cost than the 2% loan through the Clean Water Fund and will be converted to the 2% loan when advantageous to do so. Of the total governmental fund balances, \$6,285,731 constitutes unreserved and undesignated fund balance which is available for spending at the Town's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for specific purposes.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated fund balance of the Town's General Fund was \$10,702,392. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total General Fund expenditures. The Town's unreserved fund balance represents 11.7% of the total Town General Fund GAAP expenditures of \$91,382,527, while total fund balance represents 15.0% of the same amount.

The fund balance of the General Fund increased by \$940,599 during the current fiscal year.

Waste Management Fund

The fund balance of the Waste Management Fund increased by \$1,058,543 during the current fiscal year. This increase was due primarily to the continuing settlement payments exceeding the approved appropriation during the fiscal year.

Sewer Expansion Fund

The fund balance of the Sewer Expansion Fund decreased by \$4,505,842 during the current fiscal year. This decrease was due primarily to expenditures incurred for renovation and expansion of the sewer treatment plant. The Sewer Expansion Fund ending fund balance (deficit) as of June 30, 2010 was (\$6,984,421). The Town intends to fund the deficit through participation in the State of Connecticut Clean Water Fund.

Proprietary Funds

Unrestricted net assets of the Water Pollution Control Authority at the end of the year totaled \$4,382,407. The total decrease in net assets for the Water Pollution Control Authority was (\$538,727). Other factors concerning the finances of the Water Pollution Control Authority have already been addressed in the discussion of the Town's business-type activities.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were (\$90,259) less than budgeted, expenditures were (\$2,347,592) less than budgeted and other financing sources (uses) were \$(785,880) less than budgeted.

Differences between the original budget and the final amended budget resulted from a decrease in appropriations of \$959,350. Significant components of this decrease are as follows:

- An increase in appropriations of \$375,000 for police side duty accounts.
- An increase in appropriations of \$323,596 for future union settlements.
- A decrease in appropriations of (\$1,703,361) for Federal ARRA stimulus dollars received to maintain the BOE Education cost sharing with enabling legislation to do so.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010 totaled \$162,259,334 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure. The net increase in the Town's investment in capital assets for the current fiscal year was \$5,925,185, a 4.6% increase for governmental activities and a 2.6% decrease for business-type activities.

Major capital asset events for governmental activities during the current fiscal year included the following:

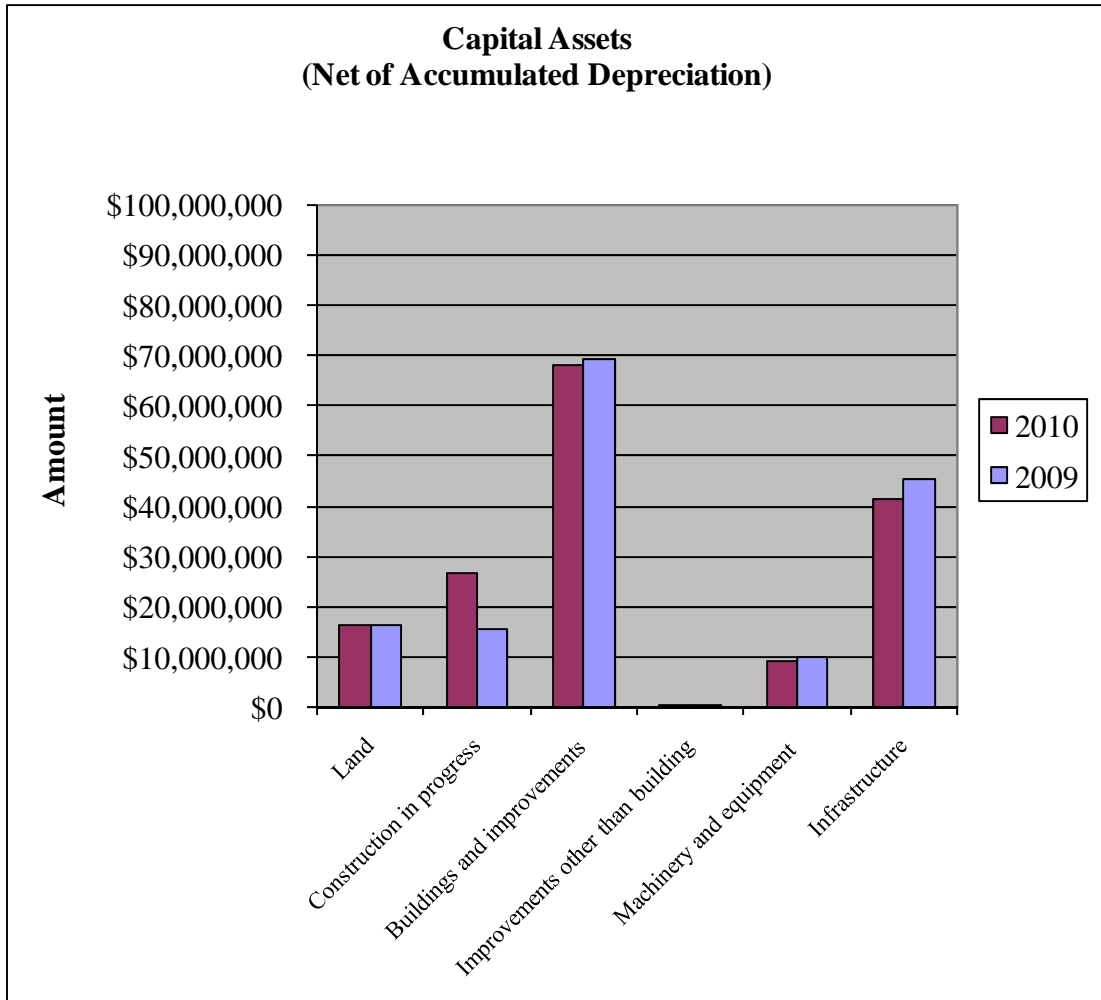
- Outlays for construction in progress totaling \$8,617,421, which consists of expenditures incurred in connection with the following ongoing construction projects: the Route 7 South sewer system project, the Grove Street reconstruction project, the Housatonic Avenue project, the sewer treatment expansion project, the Century Brass clean up project and the ambulance facility.
- Outlays for machinery and equipment totaling \$2,384,838, which consists of the purchase of vehicles, communication, computer, sewer and office equipment.
- Depreciation expense on capital assets being depreciated of \$4,069,295.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 16,178,430 | \$ 16,178,430 | \$ 5,000 | \$ 5,000 | \$ 16,183,430 | \$ 16,183,430 |
| Land improvements | 421,821 | 120,500 | | | 421,821 | 120,500 |
| Infrastructure | 35,381,353 | 36,398,963 | 6,040,840 | 8,944,226 | 41,422,193 | 45,343,189 |
| Buildings and improvements | 63,046,196 | 63,986,674 | 5,086,089 | 5,291,126 | 68,132,285 | 69,277,800 |
| Machinery and equipment | 5,536,178 | 6,106,818 | 3,743,861 | 3,931,087 | 9,280,039 | 10,037,905 |
| Construction in progress | 23,988,746 | 15,371,325 | 2,830,820 | | 26,819,566 | 15,371,325 |
| Total | \$ 144,552,724 | \$ 138,162,710 | \$ 17,706,610 | \$ 18,171,439 | \$ 162,259,334 | \$ 156,334,149 |



Additional information on the Town's capital assets can be found in Note 6 on pages 36-37 of this report.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$37,167,157. This entire amount is comprised of debt backed by the full faith and credit of the Town.

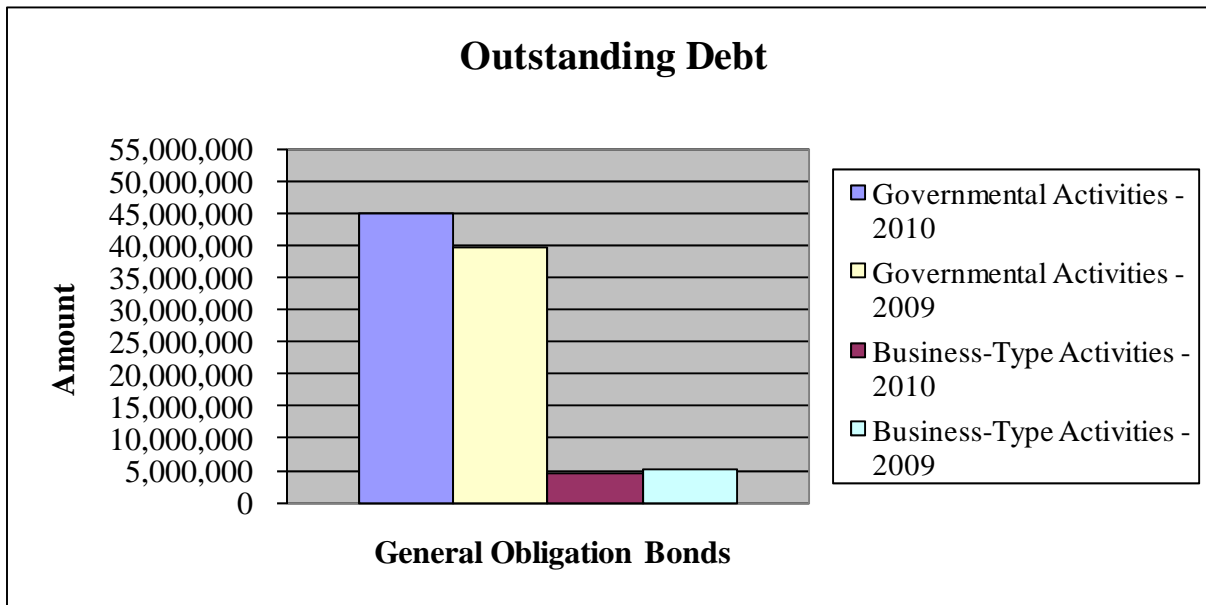
The Town's total bonded debt decreased by \$4,327,224 or 10.4% during the current fiscal year due to scheduled repayments.

The Town maintains an AA1 rating from Moody's Investor Service for general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to approximately seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$471,282,497, which is significantly in excess of the Town's outstanding general obligation debt.

The following table is a two year comparison of long-term debt presented for both governmental and business-type activities:

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| General obligation bonds | \$ 32,575,582 | \$ 36,371,382 | \$ 3,607,361 | \$ 3,869,893 | \$ 36,182,943 | \$ 40,241,275 |
| Bond anticipation notes | 8,015,000 | 2,750,000 | | | 8,015,000 | 2,750,000 |
| Notes payable | 4,295,348 | 448,511 | 1,062,873 | 1,255,860 | 5,358,221 | 1,704,371 |
| Total | \$ 44,885,930 | \$ 39,569,893 | \$ 4,670,234 | \$ 5,125,753 | \$ 49,556,164 | \$ 44,695,646 |



Additional information on the Town's long-term debt can be found in Note 10 on pages 39-42 of this report.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2011 and thereafter.
- The unemployment rate for the Town is 7.0% compared to the state's average unemployment rate of 8.6% and the national unemployment rate of 9.4% as of June 2010.
- Inflationary trends in the region approximate the national indices.
- During the current fiscal year, total fund balance of the Town's General Fund increased to \$13,714,966. The Town did not appropriate any use of the surplus for tax relief in the 2010 fiscal year budget or in the 2011 fiscal year.
- The Town is in the process of establishing a 501(C)(3) Economic Development Corporation to provide a unique development tool for the community and encourage business expansion.

All of these factors were considered in preparing the Town's budget for fiscal year 2010.

REQUESTS FOR INFORMATION

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

TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | <u>Primary Government</u> | | <u>Total</u> |
|--|--|---|-----------------------|
| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | |
| Assets: | | | |
| Cash and cash equivalents | \$ 31,640,165 | \$ 3,394,304 | \$ 35,034,469 |
| Investments | 843,970 | | 843,970 |
| Receivables: | | | |
| Property taxes, net of allowance for doubtful accounts of \$284,122 | 2,716,705 | | 2,716,705 |
| Special assessments and connection fees | | 624,647 | 624,647 |
| Sewer usage | | 220,901 | 220,901 |
| Grants and contracts | 3,173,380 | | 3,173,380 |
| Settlement | 1,600,000 | | 1,600,000 |
| Other | 1,034,432 | 13,000 | 1,047,432 |
| Inventories | 52,084 | 101,648 | 153,732 |
| Internal balances | 2,404,751 | (2,404,751) | - |
| Special assessments and connection fees receivable, long-term portion | | 2,732,226 | 2,732,226 |
| Grants and contracts receivable, long-term portion | 7,198,521 | | 7,198,521 |
| Settlement receivable, long-term portion | 26,900,000 | | 26,900,000 |
| Other | 417,181 | | 417,181 |
| Capital assets: | | | |
| Nondepreciable | 40,167,176 | 2,835,820 | 43,002,996 |
| Depreciable, net | 104,385,548 | 14,870,790 | 119,256,338 |
| Total assets | <u>222,533,913</u> | <u>22,388,585</u> | <u>244,922,498</u> |
| Liabilities: | | | |
| Accounts payable | 4,501,019 | 48,182 | 4,549,201 |
| Accrued liabilities: | | | |
| Salaries and benefits payable | 834,285 | | 834,285 |
| Accrued interest | 607,310 | 33,348 | 640,658 |
| Other accrued liabilities | 2,077,454 | 218,038 | 2,295,492 |
| Unearned revenue | 1,062,845 | | 1,062,845 |
| Due to State | 24,738 | | 24,738 |
| Notes payable | 3,916,064 | | 3,916,064 |
| Bond anticipation note payable | 8,015,000 | | 8,015,000 |
| Noncurrent liabilities: | | | |
| Due within one year | 4,811,278 | 469,882 | 5,281,160 |
| Due in more than one year | 33,960,531 | 4,200,352 | 38,160,883 |
| Total liabilities | <u>59,810,524</u> | <u>4,969,802</u> | <u>64,780,326</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 100,406,466 | 13,036,376 | 113,442,842 |
| Unrestricted | 62,316,923 | 4,382,407 | 66,699,330 |
| Total Net Assets | <u>\$ 162,723,389</u> | <u>\$ 17,418,783</u> | <u>\$ 180,142,172</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 10,009,216 | \$ 888,104 | \$ 345,579 | \$ | \$ (8,775,533) | \$ | \$ (8,775,533) |
| Public safety | 6,933,380 | 779,793 | 44,750 | | (6,108,837) | | (6,108,837) |
| Public works | 8,440,085 | 658,921 | 1,227,729 | 1,984,016 | (4,569,419) | | (4,569,419) |
| Health and welfare | 2,679,518 | 51,637 | 184,625 | | (2,443,256) | | (2,443,256) |
| Library | 993,820 | 41,367 | 56,461 | | (895,992) | | (895,992) |
| Culture and recreation | 1,665,130 | 1,060,896 | 168,388 | | (435,846) | | (435,846) |
| Education | 68,654,271 | 4,334,047 | 19,879,408 | | (44,440,816) | | (44,440,816) |
| Interest on long-term debt | 1,909,330 | | | | (1,909,330) | | (1,909,330) |
| Total governmental activities | <u>101,284,750</u> | <u>7,814,765</u> | <u>21,906,940</u> | <u>1,984,016</u> | <u>(69,579,029)</u> | <u>-</u> | <u>(69,579,029)</u> |
| Business-type activities: | | | | | | | |
| Water Pollution Control Authority | <u>2,249,450</u> | <u>1,651,818</u> | | | | <u>(597,632)</u> | <u>(597,632)</u> |
| Total Primary Government | <u>\$ 103,534,200</u> | <u>\$ 9,466,583</u> | <u>\$ 21,906,940</u> | <u>\$ 1,984,016</u> | <u>(69,579,029)</u> | <u>(597,632)</u> | <u>(70,176,661)</u> |
| General revenues: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 67,923,019 | | 67,923,019 |
| Grants and contributions not restricted to specific programs | | | | | 1,495,654 | | 1,495,654 |
| Unrestricted investment earnings | | | | | 244,666 | 58,905 | 303,571 |
| Other | | | | | 154,251 | | 154,251 |
| Total general revenues | | | | | <u>69,817,590</u> | <u>58,905</u> | <u>69,876,495</u> |
| Change in net assets | | | | | 238,561 | (538,727) | (300,166) |
| Net assets at beginning of year | | | | | <u>162,484,828</u> | <u>17,957,510</u> | <u>180,442,338</u> |
| Net Assets at End of Year | | | | | <u>\$ 162,723,389</u> | <u>\$ 17,418,783</u> | <u>\$ 180,142,172</u> |

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The accompanying notes are an integral part of the financial statements

TOWN OF NEW MILFORD, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | <u>General Fund</u> | <u>Waste Management Ordinance</u> | <u>Sewer Expansion Fund</u> | <u>Capital Reserve</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------------|---|-------------------------------------|----------------------------|--|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 17,546,615 | \$ 4,536,451 | \$ 55,239 | \$ 835,134 | \$ 6,719,773 | \$ 29,693,212 |
| Investments | | | | | 843,970 | 843,970 |
| Receivables | 3,849,917 | | 1,547,336 | | 245,433 | 5,642,686 |
| Due from other funds | 2,937,755 | | | 494,727 | 134,899 | 3,567,381 |
| Inventories | 40,667 | | | | 11,417 | 52,084 |
| Other | 26,326 | | | | 7,100 | 33,426 |
| Total Assets | <u>\$ 24,401,280</u> | <u>\$ 4,536,451</u> | <u>\$ 1,602,575</u> | <u>\$ 1,329,861</u> | <u>\$ 7,962,592</u> | <u>\$ 39,832,759</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 820,267 | | \$ 2,120,932 | | \$ 201,500 | \$ 3,142,699 |
| Accrued liabilities: | | | | | | |
| Salaries and benefits payable | 834,285 | | | | | 834,285 |
| Other accrued liabilities | 55,941 | | | | | 55,941 |
| Due to other funds | 6,010,318 | | | | 533,004 | 6,543,322 |
| Due to State of Connecticut | | | | | 24,738 | 24,738 |
| Deferred revenue | 2,965,503 | | | | 492,006 | 3,457,509 |
| Notes payable | | | 3,916,064 | | | 3,916,064 |
| Bond anticipation note payable | | | 2,550,000 | 3,000,000 | 2,465,000 | 8,015,000 |
| Total liabilities | <u>10,686,314</u> | <u>-</u> | <u>8,586,996</u> | <u>3,000,000</u> | <u>3,716,248</u> | <u>25,989,558</u> |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Inventories | 40,607 | | | | | 40,607 |
| Encumbrances | 1,653,116 | | | | | 1,653,116 |
| Unreserved, undesignated | 10,702,392 | 4,536,451 | (6,984,421) | (1,968,691) | | 6,285,731 |
| Unreserved, designated for: | | | | | | |
| Bridge project | 68,140 | | | | | 68,140 |
| Capital projects | 927,115 | | | 298,552 | | 1,225,667 |
| Future wage increases | 323,596 | | | | | 323,596 |
| Unreserved, reported in nonmajor: | | | | | | |
| Special revenue funds | | | | | 2,094,763 | 2,094,763 |
| Capital projects funds | | | | | 2,151,581 | 2,151,581 |
| Total fund balances | <u>13,714,966</u> | <u>4,536,451</u> | <u>(6,984,421)</u> | <u>(1,670,139)</u> | <u>4,246,344</u> | <u>13,843,201</u> |
| Total Liabilities and Fund Balances | <u>\$ 24,401,280</u> | <u>\$ 4,536,451</u> | <u>\$ 1,602,575</u> | <u>\$ 1,329,861</u> | <u>\$ 7,962,592</u> | <u>\$ 39,832,759</u> |

(Continued on next page)

**TOWN OF NEW MILFORD, CONNECTICUT
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
JUNE 30, 2010**

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

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

| | |
|--|---------------|
| Total fund balances for governmental funds (Exhibit III) | \$ 13,843,201 |
|--|---------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

| | |
|--------------------------|--------------|
| Capital assets | 235,805,858 |
| Accumulated depreciation | (91,253,134) |

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds:

| | |
|--|------------|
| Property tax interest and lien accrual | 594,598 |
| Property tax receivable - accrual basis change | 1,800,066 |
| School building grant receivable | 8,457,021 |
| Settlement receivable | 28,500,000 |
| Net pension asset | 383,755 |

| | |
|---|-------------|
| Annual required pension contributions not contributed or expected to be liquidated with expendable available resources are not reported as fund liabilities. Such liabilities are applicable to the Town's governmental activities and are reported in the statement of net assets. | (2,021,513) |
|---|-------------|

| | |
|---|-----------|
| Internal service funds are used by management to charge the cost of medical insurance to individual departments. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 5,992,656 |
|---|-----------|

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

| | |
|---|--------------|
| Accrued interest payable | (607,310) |
| Long-term debt: | |
| Bonds and notes payable | (32,496,923) |
| Unamortized premium | (1,121,462) |
| Deferred amount on refunding | 663,519 |
| Obligations under capital lease | (471,496) |
| Compensated absences not recorded in governmental funds | (396,778) |
| Early retirement obligations | (429,000) |
| Pollution remediation obligation | (3,850,000) |
| Net OPEB obligation | (669,669) |

| | |
|---|-----------------------|
| Net Assets of Governmental Activities (Exhibit I) | \$ <u>162,723,389</u> |
|---|-----------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ·
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>General Fund</u> | <u>Waste Management Ordinance</u> | <u>Sewer Expansion Fund</u> | <u>Capital Reserve</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|-------------------------------------|----------------------------|--|---|
| Revenues: | | | | | | |
| Property taxes | \$ 68,199,386 | \$ | \$ | \$ | \$ | \$ 68,199,386 |
| Licenses and permits | 471,204 | | | | | 471,204 |
| Intergovernmental | 19,563,915 | | 1,984,016 | | 4,843,912 | 26,391,843 |
| Charges for goods and services | 3,830,711 | | | | 3,512,851 | 7,343,562 |
| Donations | | | | | 213,719 | 213,719 |
| Investment earnings | 95,984 | 20,203 | 40 | 3,575 | 118,544 | 238,346 |
| Miscellaneous | 66,986 | 1,600,000 | | | 87,264 | 1,754,250 |
| Total revenues | <u>92,228,186</u> | <u>1,620,203</u> | <u>1,984,056</u> | <u>3,575</u> | <u>8,776,290</u> | <u>104,612,310</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 9,483,077 | | | | | 9,483,077 |
| Public safety | 5,935,065 | | | | 248,068 | 6,183,133 |
| Public works | 4,953,269 | | | | | 4,953,269 |
| Health and welfare | 2,126,239 | | | | 481,657 | 2,607,896 |
| Library | | | | | 973,347 | 973,347 |
| Culture and recreation | 1,240,234 | 183,000 | | | 131,022 | 1,554,256 |
| Education | 60,425,864 | | | | 6,602,084 | 67,027,948 |
| Debt service | 5,819,761 | | | | | 5,819,761 |
| Capital outlays | 1,399,018 | | 6,489,898 | 2,799,819 | 2,442,391 | 13,131,126 |
| Total expenditures | <u>91,382,527</u> | <u>183,000</u> | <u>6,489,898</u> | <u>2,799,819</u> | <u>10,878,569</u> | <u>111,733,813</u> |
| Excess (deficiency) of revenues over expenditures | <u>845,659</u> | <u>1,437,203</u> | <u>(4,505,842)</u> | <u>(2,796,244)</u> | <u>(2,102,279)</u> | <u>(7,121,503)</u> |
| Other Financing Sources (Uses): | | | | | | |
| Issuance of capital lease | 277,279 | | | | | 277,279 |
| Transfers in | 1,027,484 | | | 49,410 | 1,160,413 | 2,237,307 |
| Transfers out | (1,209,823) | (378,660) | | | (648,824) | (2,237,307) |
| Total other financing sources (uses) | <u>94,940</u> | <u>(378,660)</u> | <u>-</u> | <u>49,410</u> | <u>511,589</u> | <u>277,279</u> |
| Net change in fund balances | 940,599 | 1,058,543 | (4,505,842) | (2,746,834) | (1,590,690) | (6,844,224) |
| Fund balances at beginning of year | <u>12,774,367</u> | <u>3,477,908</u> | <u>(2,478,579)</u> | <u>1,076,695</u> | <u>5,837,034</u> | <u>20,687,425</u> |
| Fund Balances at End of Year | <u>\$ 13,714,966</u> | <u>\$ 4,536,451</u> | <u>\$ (6,984,421)</u> | <u>\$ (1,670,139)</u> | <u>\$ 4,246,344</u> | <u>\$ 13,843,201</u> |

(Continued on next page)

TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
 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) | \$ (6,844,224) |
|---|----------------|

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

| | |
|------------------------------------|-------------|
| Capital outlay | 11,002,259 |
| Depreciation expense | (4,069,295) |
| Loss on disposal of capital assets | (542,950) |

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 | (1,218,952) |
| Decrease in property tax and assessments receivable - accrual basis change | 57,680 |
| Increase in property tax interest and lien revenue | (334,047) |
| Settlement receivable | (1,600,000) |
| Net pension asset | 232,513 |

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, however, has any effect on net assets. Also, governmental
 funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued,
 whereas these amounts are deferred and amortized in the statement of activities. The details of these
 differences in the treatment of long-term debt and related items are as follows:

| | |
|----------------------------------|-----------|
| Accrued interest | 45,404 |
| Principal payments | 3,871,705 |
| Capital lease payments | 362,810 |
| Capital lease proceeds | (277,279) |
| Amortization of bond issue costs | (89,239) |
| Amortization of bond premiums | 82,561 |

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 governmental funds:

| | |
|--|-----------|
| Change in long-term compensated absences | 96,022 |
| Increase in OPEB obligation | (294,669) |
| Early retirement obligations | 314,000 |
| Annual required pension contributions | (220,843) |

| | |
|--|------------------|
| The net income of the internal service funds is reported with the governmental activities. | <u>(334,895)</u> |
|--|------------------|

| | |
|--|-------------------|
| Change in Net Assets of Governmental Activities (Exhibit II) | <u>\$ 238,561</u> |
|--|-------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

| | Business-Type Activities | Governmental Activities |
|---|--|------------------------------------|
| | Water Pollution Control Authority | Internal Service Fund |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,394,304 | \$ 1,946,953 |
| Receivables | 858,548 | 23,332 |
| Inventories | 101,648 | |
| Due from other funds | | 5,380,692 |
| Total current assets | 4,354,500 | 7,350,977 |
| Noncurrent assets: | | |
| Special assessments and connection fees receivable | 2,732,226 | |
| Capital assets: | | |
| Nondepreciable | 2,835,820 | |
| Depreciable, net | 14,870,790 | |
| Total noncurrent assets | 20,438,836 | - |
| Total assets | 24,793,336 | 7,350,977 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 48,182 | 1,358,321 |
| Accrued liabilities | 218,038 | |
| Accrued interest | 33,348 | |
| Due to other funds | 2,404,751 | |
| Bonds and notes payable - current | 469,882 | |
| Total current liabilities | 3,174,201 | 1,358,321 |
| Noncurrent liabilities: | | |
| Bonds and notes payable | 4,200,352 | |
| Total liabilities | 7,374,553 | 1,358,321 |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 13,036,376 | |
| Unrestricted | 4,382,407 | 5,992,656 |
| Total Net Assets | \$ 17,418,783 | \$ 5,992,656 |

The accompanying notes are an integral part of the financial statements

**TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

| | Business-Type Activities | Governmental Activities |
|--|--|------------------------------------|
| | Water Pollution Control Authority | Internal Service Fund |
| Operating Revenues: | | |
| Charges for services: | | |
| Sewer charges | \$ 1,186,693 | \$ |
| Septic permits and other income | 193,221 | |
| Connection fees | 126,447 | |
| Assessments | 139,348 | |
| Other | 6,109 | 11,139,548 |
| Total operating revenues | 1,651,818 | 11,139,548 |
| Operating Expenses: | | |
| Claims incurred | | 11,480,764 |
| Salaries | 516,510 | |
| Employee benefits | 269,914 | |
| Utilities | 210,400 | |
| Laboratory | 13,212 | |
| Maintenance and repairs | 38,463 | |
| Process expense | 192,492 | |
| Office and administration | 111,296 | |
| Depreciation | 643,903 | |
| Total operating expenses | 1,996,190 | 11,480,764 |
| Operating loss | (344,372) | (341,216) |
| Nonoperating Revenues (Expenses): | | |
| Interest and investment income | 58,905 | 6,321 |
| Interest expense | (253,260) | |
| Total nonoperating revenues (expenses) | (194,355) | 6,321 |
| Change in net assets | (538,727) | (334,895) |
| Net assets at beginning of year | 17,957,510 | 6,327,551 |
| Net Assets at End of Year | \$ 17,418,783 | \$ 5,992,656 |

The accompanying notes are an integral part of the financial statements

TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | Business-Type Activities Water Pollution Control Authority | Governmental Activities Internal Service Fund |
|--|---|--|
| Cash Flows from Operating Activities: | | |
| Cash received from the following: | | |
| Interfund services provided | \$ | \$ 8,298,133 |
| Users | 2,080,443 | |
| Payments for or to the following: | | |
| Claims incurred | | (11,455,623) |
| Salaries and employee benefits | (786,424) | |
| Utilities | (210,400) | |
| Process expense | (176,374) | |
| Office and administration | (111,296) | |
| Other | (38,463) | |
| Net cash provided by (used in) operating activities | 757,486 | (3,157,490) |
| Cash Flows from Capital and Related Financing Activities: | | |
| Due to other funds | 217,431 | |
| Purchases of capital assets | (179,074) | |
| Interest paid on capital debt | (253,260) | |
| Principal paid on capital debt | (455,519) | |
| Net cash used in capital and related financing activities | (670,422) | - |
| Cash Flows from Investing Activities: | | |
| Investment income | 58,905 | 6,321 |
| Net cash provided by investing activities | 58,905 | 6,321 |
| Net increase (decrease) in cash and cash equivalents | 145,969 | (3,151,169) |
| Cash and cash equivalents at beginning of year | 3,248,335 | 5,098,122 |
| Cash and Cash Equivalents at End of Year | \$ 3,394,304 | \$ 1,946,953 |
| Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities: | | |
| Operating loss | \$ (344,372) | \$ (341,216) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 643,903 | |
| Changes in assets and liabilities: | | |
| Decrease (increase) in receivables | 428,625 | (8,520) |
| Decrease in due from other funds | | (2,832,895) |
| Decrease in inventories | 900 | |
| Increase in accounts payable | 29,108 | 99,082 |
| Decrease in accrued liabilities | (678) | (73,941) |
| Net Cash Provided by (Used in) Operating Activities | \$ 757,486 | \$ (3,157,490) |

The accompanying notes are an integral part of the financial statements

**TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

| | <u>Pension Trust Fund</u> | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|--|-------------------------------|--|-------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ | \$ 70,387 | \$ 3,466,331 |
| Investments, at fair value: | | | |
| Immediate participation guarantee contract | 3,963,748 | | |
| Mutual funds | 28,451,326 | 32,923 | 234,736 |
| Corporate bonds | | | 303,371 |
| Common stock | | 19,371 | |
| Contribution receivable | <u>2,021,513</u> | | |
| Total assets | <u>34,436,587</u> | <u>122,681</u> | <u>\$ 4,004,438</u> |
| Liabilities: | | | |
| Due to others | | | <u>\$ 4,004,438</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>\$ 4,004,438</u> |
| Net Assets: | | | |
| Held in trust for pension benefits and other purposes | <u>\$ 34,436,587</u> | <u>\$ 122,681</u> | |

The accompanying notes are an integral part of the financial statements

TOWN OF NEW MILFORD, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

| | Pension Trust Fund | Private Purpose Trust Funds |
|---|-----------------------------------|--|
| | <u> </u> | <u> </u> |
| Additions | | |
| Contributions: | | |
| Employer | \$ 2,021,513 | \$ |
| Plan members | 271,582 | |
| Total contributions | <u>2,293,095</u> | <u>-</u> |
| Investment earnings: | | |
| Interest | 267,982 | 381 |
| Net appreciation in the fair value of investments | 3,082,878 | 5,339 |
| Total investment earnings | <u>3,350,860</u> | <u>5,720</u> |
| Total additions | <u>5,643,955</u> | <u>5,720</u> |
| Deductions | | |
| Benefit payments | 1,496,375 | 715 |
| Administrative expenses | 131,850 | |
| Other expenses | | 1,000 |
| Total deductions | <u>1,628,225</u> | <u>1,715</u> |
| Change in net assets | 4,015,730 | 4,005 |
| Net assets at beginning of year | <u>30,420,857</u> | <u>118,676</u> |
| Net Assets at End of Year | <u>\$ 34,436,587</u> | <u>\$ 122,681</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF NEW MILFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of New Milford, Connecticut (the Town) 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 Town are described below.

A. Reporting Entity

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

Blended Component Unit

New Milford Public Library

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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 and fiduciary 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. Agency funds use the accrual basis of accounting, but have no measurement focus since they report only assets and liabilities.

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

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 Town's enterprise fund consist of charges to customers for services relating to sewer usage. Operating expenses of the Town's enterprise fund consist of salaries and employee benefits, utilities, maintenance and repairs, supplies and administrative expense, processing and laboratory expense and depreciation of capital assets. The principal operating revenues of the Town's internal service fund consist of charges for services. Operating expenses of the Town's internal service fund consist of claims incurred and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

The Town reports the following major governmental funds:

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

The *Waste Management Ordinance Fund* is used to account for monies set aside for the acquisition of land and building for public recreation, public education or public library facilities.

The *Sewer Expansion Fund* is used to account for expenditures incurred for the renovation and improvement of the sewer treatment plant.

The *Capital Reserve Fund* is used to account for expenditures incurred for any purposes for which the Town issues bonds.

The Town reports the following major proprietary funds:

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

Additionally, the Town reports the following fund types:

The *Internal Service Fund* accounts for risk management activities of the Town.

The *Pension Trust Fund* accounts for the activities of the Town of New Milford Pension Plan, a defined benefit pension plan. This Fund accounts for resources held in trust for the plan's members and beneficiaries.

The *Private Purpose Trust Funds* account for monies given the Town for a specified purpose.

Agency Funds account for monies held as custodian for various groups such as student groups, fuel bank, community food bank, good samaritan, firefighters and contractors.

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 Town'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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

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

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

Investments are reported at fair value.

E. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes (receivable - taxes) are assessed as of October 1. Real estate taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1. Taxes are overdue on August 1, and interest is levied at a rate of 1-1/2% per month. Liens are placed on delinquent real estate taxes owed on June 30th. Liens will be placed sooner in cases where the Tax Collector deems the taxes to be in jeopardy.

Upon completion of projects, sewer assessments are levied to users. Once levied, assessments are made to users periodically throughout the year, based on the start date of the levy. Usage charges are billed semi-annually. Assessments and usage charges are due and payable within 30 days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

An amount of \$221,937 has been established as an allowance for uncollectible principal taxes.

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. Restricted Assets

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of donor-restricted endowments in good faith and with the care that an ordinary prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town.

H. Capital Assets

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and 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 Town as assets with an initial, individual cost of more than \$300 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost 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. Depreciation is not recognized until the asset is placed in service.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements | 50 |
| Improvements other than buildings | 15-20 |
| Machinery and equipment | 5-15 |
| Infrastructure | 15-50 |

I. Compensated Absences

Accumulated unpaid vacation time is accrued by the Town. Town employees accumulate vacation and sick leave hours for subsequent use or payment upon termination based upon length of employment. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements, as appropriate.

J. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

K. Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category includes all capital assets, including infrastructure, less accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Unrestricted Net Assets - This category represents the net assets of the Town that are not restricted for any project or other purpose by third parties.

In the fund financial statements, fund balances of governmental funds are classified in the following categories:

Reserved Fund Balance - indicates that portion of fund equity that is not available for appropriation.

Designated Fund Balance - indicates that portion of fund equity for which the Town has made tentative plans.

Undesignated and Unreserved Fund Balance - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

L. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

M. Interfund Activity

Receivables/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.”

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

Interfund Transfers - In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

N. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is legally adopted for the General Fund. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements:

- The Mayor, with the approval of the Town Council, presents to the Board of Finance an annual budget by the third Tuesday in March. The Board of Finance holds one or more public hearings on the budget by the third Tuesday in April. Within 15 days of the last public hearing, the Board of Finance approves the budget for submission to the annual Budget Meeting.
- The annual Budget Meeting adopts the budget by the second Tuesday in May, which provides for appropriations by major object of the following categories: personal services, contractual services, materials and supplies, fixed charges, capital outlays and revenues other than property taxes to be collected in the ensuing fiscal year.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established at the department level.
- Transfers of budgeted amounts between departments must be approved by the Board of Finance. Management may transfer amounts between line items within a department. The Board of Finance may approve additional appropriations for a department, provided such additional appropriations do not exceed, in the aggregate in any one year, an amount in excess of 1/5th of one mill per each one thousand dollars of the last completed Grand List. Appropriations in excess of the amount that the Board of Finance may approve must be approved by a vote of a Town Meeting. During the year ended June 30, 2010, the Board of Finance, and, where required, Town meetings, approved additional grant revenue of \$188,681. A negative appropriation of \$1,703,361 was made to offset the grant revenue that went directly to the Board of Education. Also, during the year ended June 30, 2010, the Board of Finance and, where required, Town meetings, approved additional appropriations from fund balance of \$375,000 primarily attributable to capital activities.

- Any portion of an annual appropriation remaining unexpended and unencumbered at the close of the fiscal year lapses unless continued upon recommendation of the Director of Finance and approved by the Board of Finance, except those for Capital Project Funds. Appropriations for Capital Projects Funds are continued until completion of applicable projects, which often last more than one fiscal year, but cannot exceed five years.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes, and “on behalf” payments made by the State of Connecticut into the State Teacher’s Retirement System (see Note 15) are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.

Fund Deficits

The following funds had deficit fund balances as of June 30, 2010:

| <u>Fund</u> | <u>Amount</u> |
|---------------------------------|---------------|
| Sewer Expansion Fund | \$ 6,984,421 |
| Drug Education Prevention Fund | 869 |
| 1995 Small Cities Fund | 4,800 |
| Great Brook Interceptor Fund | 62,535 |
| Lanesville Road Connector Fund | 25,969 |
| Capital Reserve Fund | 1,670,139 |
| Elementary School Fund | 7,761 |
| Grove Street Relocation | 844,397 |
| Small Cities Church Street Fund | 42,735 |

The deficit in the Sewer Expansion Fund arose due to expenditures that were incurred for the renovation and expansion of the sewer treatment plant. The deficit in the Capital Reserve Fund exists because the fund has a \$3,000,000 bond anticipation note liability as of June 30, 2010. The Town plans to fund these deficits through financing and future appropriations.

The Town plans to fund all other deficit fund balances through future revenues 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 do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$25,040,722 of the Town’s bank balance of \$29,385,190 was exposed to custodial credit risk as follows:

| | |
|---|----------------------|
| Uninsured and uncollateralized | \$ 22,481,998 |
| Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name | <u>2,558,724</u> |
| Total Amount Subject to Custodial Credit Risk | <u>\$ 25,040,722</u> |

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.

Cash Equivalents

At June 30, 2010, the Town’s cash equivalents amounted to \$10,302,867. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

| | <u>Standard and Poor’s</u> | <u>Fitch Ratings</u> |
|--|--------------------------------|--------------------------|
| State Short-Term Investment Fund (STIF) | AAAm | * |
| Cutwater Asset Management - Cooperative Liquid Assets Securities System (CLASS) Plus State Tax Exempt Proceeds Fund* | AAAm | * |

*Not rated

Investments

As of June 30, 2010, the Town had the following investments:

| Investment Type | Credit Rating | Fair Value | Investment Maturities (Years) | | |
|-------------------------------|---------------|----------------------|-------------------------------|-------------------|--------------|
| | | | Less Than 1 | 1 - 10 | More Than 10 |
| Interest-bearing investments: | | | | | |
| Corporate bonds | Aaa-A | \$ 312,370 | \$ 25,459 | \$ 286,911 | \$ |
| Corporate bonds | Baa-ba1 | <u>54,279</u> | <u></u> | <u>54,279</u> | <u></u> |
| Total | | 366,649 | \$ <u>25,459</u> | \$ <u>341,190</u> | \$ <u>-</u> |
| Other investments: | | | | | |
| Common stock | | 19,371 | | | |
| Mutual funds | | <u>33,463,425</u> | | | |
| Total Investments | | \$ <u>33,849,445</u> | | | |

Interest Rate Risk - The Town limits their maximum final stated maturities to five years, unless specific authority is given to exceed. To the extent possible, the Town 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 Town has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town'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 Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2010, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

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

| | <u>General</u> | <u>Nonmajor Funds</u> | <u>Water Pollution Control Facility</u> | <u>Sewer Expansion</u> | <u>Internal Service</u> | <u>Total</u> |
|------------------------------------|---------------------|---------------------------|---|----------------------------|-----------------------------|---------------------|
| Receivables: | | | | | | |
| Taxes | \$ 2,344,044 | \$ | \$ | \$ | \$ | \$ 2,344,044 |
| Interest on property taxes | 656,783 | | | | | 656,783 |
| Intergovernmental | 198,095 | 221,136 | | 1,547,336 | | 1,966,567 |
| Accounts | | | 220,901 | | | 220,901 |
| Assessments | | | 624,647 | | | 624,647 |
| Other | 935,117 | 24,297 | 13,000 | | 23,332 | 995,746 |
| Gross receivables | <u>4,134,039</u> | <u>245,433</u> | <u>858,548</u> | <u>1,547,336</u> | <u>23,332</u> | <u>6,808,688</u> |
| Less allowance for uncollectibles: | | | | | | |
| Taxes | 221,937 | | | | | 221,937 |
| Accrued interest on taxes | 62,185 | | | | | 62,185 |
| Total allowance | <u>284,122</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>284,122</u> |
| Net Total Receivables | <u>\$ 3,849,917</u> | <u>\$ 245,433</u> | <u>\$ 858,548</u> | <u>\$ 1,547,336</u> | <u>\$ 23,332</u> | <u>\$ 6,524,566</u> |

5. DEFERRED REVENUE

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

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Taxes collected in advance | \$ | \$ 168,556 | \$ 168,556 |
| Delinquent property taxes receivable | 1,800,066 | | 1,800,066 |
| Accrued interest on delinquent property taxes | 594,598 | | 594,598 |
| Grants | | 799,786 | 799,786 |
| Other unearned amounts | | 94,503 | 94,503 |
| Total Deferred/Unearned Revenue for Governmental Funds | <u>\$ 2,394,664</u> | <u>\$ 1,062,845</u> | <u>\$ 3,457,509</u> |

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 16,178,430 | \$ | \$ | \$ 16,178,430 |
| Construction in progress | <u>15,371,325</u> | <u>8,617,421</u> | <u></u> | <u>23,988,746</u> |
| Total capital assets not being depreciated | <u>31,549,755</u> | <u>8,617,421</u> | <u>-</u> | <u>40,167,176</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 87,713,305 | 951,019 | (135,233) | 88,529,091 |
| Infrastructure | 89,033,049 | | | 89,033,049 |
| Land improvements | 451,595 | 344,952 | | 796,547 |
| Machinery and equipment | <u>16,915,071</u> | <u>1,088,867</u> | <u>(723,943)</u> | <u>17,279,995</u> |
| Total capital assets being depreciated | <u>194,113,020</u> | <u>2,384,838</u> | <u>(859,176)</u> | <u>195,638,682</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 23,726,631 | 1,784,190 | (27,926) | 25,482,895 |
| Infrastructure | 52,634,086 | 1,017,610 | | 53,651,696 |
| Land improvements | 331,095 | 43,631 | | 374,726 |
| Machinery and equipment | <u>10,808,253</u> | <u>1,223,864</u> | <u>(288,300)</u> | <u>11,743,817</u> |
| Total accumulated depreciation | <u>87,500,065</u> | <u>4,069,295</u> | <u>(316,226)</u> | <u>91,253,134</u> |
| Total capital assets being depreciated, net | <u>106,612,955</u> | <u>(1,684,457)</u> | <u>(542,950)</u> | <u>104,385,548</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 138,162,710</u> | <u>\$ 6,932,964</u> | <u>\$ (542,950)</u> | <u>\$ 144,552,724</u> |
| | | | | |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,000 | \$ | \$ | \$ 5,000 |
| Construction in progress | <u>2,783,776</u> | <u>47,044</u> | <u></u> | <u>2,830,820</u> |
| Total capital assets not being depreciated | <u>2,788,776</u> | <u>47,044</u> | <u>-</u> | <u>2,835,820</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 9,360,413 | | | 9,360,413 |
| Infrastructure | 7,688,499 | 45,480 | | 7,733,979 |
| Machinery and equipment | <u>8,252,175</u> | <u>86,550</u> | <u></u> | <u>8,338,725</u> |
| Total capital assets being depreciated | <u>25,301,087</u> | <u>132,030</u> | <u>-</u> | <u>25,433,117</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 4,079,216 | 195,108 | | 4,274,324 |
| Infrastructure | 1,518,120 | 175,019 | | 1,693,139 |
| Machinery and equipment | <u>4,321,088</u> | <u>273,776</u> | <u></u> | <u>4,594,864</u> |
| Total accumulated depreciation | <u>9,918,424</u> | <u>643,903</u> | <u>-</u> | <u>10,562,327</u> |
| Total capital assets being depreciated, net | <u>15,382,663</u> | <u>(511,873)</u> | <u>-</u> | <u>14,870,790</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 18,171,439</u> | <u>\$ (464,829)</u> | <u>\$ -</u> | <u>\$ 17,706,610</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|--------------------------------|
| Governmental activities: | |
| General government | \$ 192,404 |
| Public safety | 267,078 |
| Public works | 1,431,377 |
| Health and welfare | 25,230 |
| Culture and recreation | 127,284 |
| Education | <u>2,025,922</u> |
| Total Depreciation Expense - Governmental Activities | \$ <u><u>4,069,295</u></u> |

Depreciation expense of \$643,903 was charged to the Water Pollution Control Authority during fiscal year ended June 30, 2010.

Construction Commitments

The Town has active construction projects as of June 30, 2010. The projects include the following:

| <u>Project</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Balance</u> |
|----------------------|-----------------------|---------------------|----------------|
| Ambulance Facilities | \$ 3,000,000 | \$ 2,705,273 | \$ 294,727 |
| Sewer Expansion | 30,000,000 | 6,225,174 | 23,774,826 |

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------------|----------------------------|
| General Fund | Water Pollution Control Authority | \$ 2,404,751 |
| | Nonmajor Governmental Funds | <u>533,004</u> |
| | | <u>2,937,755</u> |
| Capital Reserve | General Fund | <u>494,727</u> |
| Nonmajor Governmental Funds | General Fund | <u>134,899</u> |
| Internal Service | General Fund | <u>5,380,692</u> |
| Total | | <u><u>\$ 8,948,073</u></u> |

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions. Transfers occurring during fiscal year ending June 30, 2010 are as follows:

| | Transfers In | | | |
|-----------------------------|-------------------------|----------------------------|----------------------------------|--------------------------------|
| | General Fund | Capital Reserve | Nonmajor Governmental | Total Transfers Out |
| Transfers out: | | | | |
| General Fund | \$ | \$ 49,410 | \$ 1,160,413 | \$ 1,209,823 |
| Waste Management Ordinance | 378,660 | | | 378,660 |
| Nonmajor Governmental Funds | <u>648,824</u> | | | <u>648,824</u> |
| Total Transfers In | <u>\$ 1,027,484</u> | <u>\$ 49,410</u> | <u>\$ 1,160,413</u> | <u>\$ 2,237,307</u> |

Transfers are for regularly recurring operational transfers.

8. SETTLEMENT RECEIVABLE

The Town executed a 24-year settlement agreement dated September 21, 1998 in the amount of \$43,100,000 in connection with certain zoning violations relating to a municipal solid waste facility. Annual installments are due to the Town in various amounts, as stipulated in the settlement agreement. The balance of the settlement receivable as of June 30, 2010 totaled \$28,500,000. Future annual installments collectible under the settlement agreement are as follows:

| Year Ending June 30 | Amount |
|--------------------------------|----------------------|
| 2011 | \$ 1,600,000 |
| 2012 | 1,600,000 |
| 2013 | 1,600,000 |
| 2014 | 1,600,000 |
| 2015 | 1,600,000 |
| 2016-2020 | 12,400,000 |
| 2021-2023 | <u>8,100,000</u> |
| Total | <u>\$ 28,500,000</u> |

9. BOND ANTICIPATION NOTES

The Town issued \$8,015,000 in bond anticipation notes in July 2009. These notes bear a net interest cost of 1.25% and mature in July 2010. During July 2009, the Town retired a \$2,750,000 bond anticipation note payable through a scheduled principal and interest payment.

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2010:

| <u>Project</u> | <u>Date Issued</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance July 1, 2009</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2010</u> |
|-------------------------------|--------------------|----------------------|----------------------|-----------------------------|---------------|----------------|------------------------------|
| Road Projects | 7/2009 | 7/2010 | 1.25% | \$ | \$ 1,600,000 | \$ | \$ 1,600,000 |
| Grove street connector | 7/2009 | 7/2010 | 1.25 | | 865,000 | | 865,000 |
| Wastewater treatment plant | 7/2009 | 7/2010 | 1.25 | 2,550,000 | 2,550,000 | 2,550,000 | 2,550,000 |
| Facility Design for Ambulance | 7/2009 | 7/2010 | 1.25 | 200,000 | 3,000,000 | 200,000 | 3,000,000 |
| Total | | | | \$ 2,750,000 | \$ 8,015,000 | \$ 2,750,000 | \$ 8,015,000 |

The purpose of the notes is to provide short-term financing to fund ongoing construction projects. The notes are reported in the general fund sewer expansion fund and will be retired or permanently financed in the future.

10. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|--------------------------|---------------------|-----------------------|-----------------------|----------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 35,920,117 | \$ | \$ (3,802,478) | \$ 32,117,639 | \$ 4,068,105 |
| Premium | 1,204,023 | | (82,561) | 1,121,462 | |
| Deferred amount on refunding | (752,758) | | 89,239 | (663,519) | |
| Total general obligation bonds | <u>36,371,382</u> | <u>-</u> | <u>(3,795,800)</u> | <u>32,575,582</u> | <u>4,068,105</u> |
| Notes payable | 448,511 | | (69,227) | 379,284 | 69,223 |
| Capital leases | 557,027 | 277,279 | (362,810) | 471,496 | 247,462 |
| Compensated absences | 492,800 | 139,321 | (235,343) | 396,778 | 189,488 |
| Early retirement obligations | 743,000 | | (314,000) | 429,000 | 237,000 |
| Pollution remediation obligation | 3,850,000 | | | 3,850,000 | |
| Net OPEB obligation | <u>375,000</u> | <u>1,039,669</u> | <u>(745,000)</u> | <u>669,669</u> | |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | \$ <u>42,837,720</u> | \$ <u>1,456,269</u> | \$ <u>(5,522,180)</u> | \$ <u>38,771,809</u> | \$ <u>4,811,278</u> |

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|------------------|---------------------|---------------------------|--------------------------------|
| Business-Type Activities: | | | | | |
| General obligation bonds | \$ 3,869,893 | \$ | \$ (262,532) | \$ 3,607,361 | \$ 276,895 |
| Note payable | <u>1,255,860</u> | | <u>(192,987)</u> | <u>1,062,873</u> | <u>192,987</u> |
| Total Business-Type Activities | | | | | |
| Long-Term Liabilities | <u>\$ 5,125,753</u> | <u>\$ -</u> | <u>\$ (455,519)</u> | <u>\$ 4,670,234</u> | <u>\$ 469,882</u> |

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2010, including interest payments, are as follows:

Governmental Activities:

| | <u>General Obligation Bonds</u> | | <u>Note Payable</u> | |
|-----------|---------------------------------|---------------------|---------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2011 | \$ 4,068,105 | \$ 1,395,062 | \$ 69,223 | \$ 6,980 |
| 2012 | 4,043,388 | 1,233,303 | 69,223 | 5,595 |
| 2013 | 4,043,330 | 1,045,234 | 69,223 | 4,211 |
| 2014 | 3,483,330 | 872,242 | 69,223 | 2,827 |
| 2015 | 3,453,329 | 714,926 | 69,223 | 1,442 |
| 2016-2020 | 11,892,157 | 1,411,687 | 33,169 | 194 |
| 2021-2025 | 734,000 | 163,051 | | |
| 2026-2029 | <u>400,000</u> | <u>34,825</u> | | |
| Total | <u>\$ 32,117,639</u> | <u>\$ 6,870,330</u> | <u>\$ 379,284</u> | <u>\$ 21,249</u> |

Business-Type Activities:

| | <u>General Obligation Bonds</u> | | <u>Note Payable</u> | |
|-----------|---------------------------------|---------------------|---------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2011 | \$ 276,895 | \$ 160,970 | \$ 192,987 | \$ 19,460 |
| 2012 | 276,612 | 151,154 | 192,987 | 15,600 |
| 2013 | 276,670 | 137,574 | 192,987 | 11,740 |
| 2014 | 276,670 | 123,990 | 192,987 | 7,880 |
| 2015 | 276,671 | 110,407 | 192,987 | 4,021 |
| 2016-2020 | 1,297,843 | 357,750 | 97,938 | 570 |
| 2021-2024 | <u>926,000</u> | <u>99,777</u> | | |
| Total | <u>\$ 3,607,361</u> | <u>\$ 1,141,622</u> | <u>\$ 1,062,873</u> | <u>\$ 59,271</u> |

Outstanding debt by issue is as follows:

| Description | Date of Issue | Date of Maturity | Interest Rate (%) | Amount of Original Issue | Balance Outstanding June 30, 2010 |
|-----------------------------------|----------------------|-------------------------|--------------------------|---------------------------------|--|
| Governmental activities: | | | | | |
| General purpose: | | | | | |
| General obligation | 8/1/92 | 8/1/12 | 4.5-6.5% | \$ 11,000,000 | \$ 1,650,000 |
| General obligation | 2/1/04 | 1/15/17 | 2.0-5.0% | 11,162,645 | 8,658,525 |
| General obligation | 2/1/04 | 1/15/20 | 2.0-5.0% | 6,472,120 | 5,979,114 |
| General obligation | 7/15/08 | 7/15/28 | 4.0-5.0% | 16,963,000 | 15,830,000 |
| Total bonds | | | | | <u>32,117,639</u> |
| Notes: | | | | | |
| State of Connecticut, CWF | 12/31/96 | 12/31/15 | 2% | 1,682,814 | <u>379,284</u> |
| Total governmental activities | | | | | <u>32,496,923</u> |
| Business-Type: | | | | | |
| General purpose: | | | | | |
| General obligation | 2/1/04 | 1/15/17 | 2.0-5.0% | \$ 170,235 | 141,361 |
| General obligation | 2/1/04 | 1/15/24 | 2.0-5.0% | 4,630,000 | 3,241,000 |
| General obligation | 7/15/08 | 7/15/28 | 4.0-5.0% | 242,000 | 225,000 |
| Total bonds | | | | | <u>3,607,361</u> |
| Notes: | | | | | |
| State of Connecticut, CWF | 12/31/96 | 12/31/15 | 2% | 4,561,394 | <u>1,062,873</u> |
| Total business-type activities | | | | | <u>4,670,234</u> |
| Total Bonds and Notes Outstanding | | | | | <u>\$ 37,167,157</u> |

The following is a schedule of bonds authorized and unissued at June 30, 2010:

| Description and Purpose | Unissued Amount |
|--------------------------------|------------------------|
| School System Improvements | \$ 445,928 |
| Wastewater Treatment Plan | 420,000 |
| Great Brook Interceptor Sewer | 58,769 |
| Refunding Bonds | 78,410 |
| Ambulance facility | <u>3,160,000</u> |
| | <u>\$ 4,163,107</u> |

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

| Category | (In Thousands) | | |
|-----------------|----------------|-------------------|----------------|
| | Debt Limit | Net Indebtedness* | Balance |
| General purpose | \$ 153,504,983 | \$ 11,931,795 | \$ 141,573,188 |
| Schools ** | 307,009,967 | 20,799,751 | 286,210,216 |
| Sewers | 255,841,639 | 3,357,667 | 252,483,972 |
| Urban renewal | 221,729,420 | - | 221,729,420 |
| Pension deficit | 204,673,311 | - | 204,673,311 |

* Includes bonds authorized unissued.

** Total school indebtedness has been reduced by State of Connecticut Building Grants in the amount of \$8,457,021.

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$477,571,059.

Clean Water Funds

The State of Connecticut Department of Environmental Protection has provided Clean Water financing in the form of serial notes to the Town of New Milford for sewer system upgrades under project CWF 143-C. The Town continues to repay this debt with a 2% interest rate directly to the State of Connecticut. The outstanding principal balance is \$1,442,157 as of June 30, 2010. The current and noncurrent portion of the liability is \$262,210 and \$1,179,947 respectively.

During the year, the Town started participation in capital projects under the State of Connecticut Clean Water Fund established in accordance with Section 22a-477 of the General Statutes of Connecticut. The Clean Water Fund is administered by the State Department of Environmental Protection and provides grant and loan funds to municipalities for "eligible water quality project costs". At the end of the year, the Town had \$3,916,064 of Clean Water Fund loans outstanding at an interest rate of 2%. The balance is a short-term liability until it is converted to a permanent loan.

11. CAPITAL LEASES

The Town has entered into capital lease agreements as lessee for financing the acquisition of machinery and equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

| | Governmental Activities |
|-------------------------------|------------------------------------|
| Machinery and equipment | \$ 1,211,033 |
| Less accumulated depreciation | <u>461,834</u> |
| Total | <u><u>\$ 749,199</u></u> |

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2010 were as follows:

| <u>Year Ending June 30</u> | Governmental Activities |
|---|------------------------------------|
| 2011 | \$ 272,033 |
| 2012 | 107,793 |
| 2013 | 68,025 |
| 2014 | <u>68,025</u> |
| Total minimum lease payments | 515,876 |
| Less amount representing interest | <u>44,380</u> |
| Present Value of Minimum Lease Payments | <u><u>\$ 471,496</u></u> |

12. EARLY RETIREMENT OBLIGATIONS

The Town provides early retirement incentives to certain contracted certified employees who have attained the age of 50 and who have completed at least 15 years of service with the Town. Early retirement incentive payments total \$7,500 for the first three years of retirement. The maximum number of retirees participating in the early retirement incentive program in any given year is six. The provisions of the plan are based upon union contract and the discretion of the Board of Education, when the contract expires.

Payments for the early retirement incentive program totaled \$314,000 for the year ended June 30, 2010. These payments are funded on an annual basis by General Fund appropriations. The remaining payments to be made to participants in the program at June 30, 2010 total \$429,000.

13. POLLUTION REMEDIATION

Pursuant to local laws, the Town has recorded a liability of \$3,850,000 for remediation at the Century Enterprise Center. Management has estimated this liability based on the current understanding of the site and existing environmental regulations. Costs have been developed based on costing resources, previous experience and discussions with contractors. This amount has been recorded as a liability in the government-wide financial statements.

14. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carried commercial insurance. Neither the Town nor its insurers have settled any claims that exceeded the Town’s insurance coverage during the past three years. There have been no significant reductions in any insurance coverage from any amounts in the prior year.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes.

The Town is a member of CIRMA’s worker’s compensation pool, a risk sharing pool, which commenced operations on July 1, 1980. The worker’s compensation pool provided statutory benefits pursuant to the provisions of the Connecticut Worker’s Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30, and 42 months after the effective date of coverage. CIRMA’s worker’s compensation pool retains \$1,000,000 per occurrence and purchases reinsurance above that amount to limit the liability of \$10 million per occurrence.

The Town maintains a self-insurance fund, the Medical Reserve Account. This fund was established to provide health coverage for all Town and Board of Education employees. The program’s general objectives are to formulate for the members a health insurance program at lower costs of coverage and to develop a systematic method to control health care costs.

Effective July 1 2006, the Town converted from self-insurance for health coverage to a full premium program with a commercial insurance carrier. Effective July 1, 2008, the Town switched back to a full self-insured plan for health coverage.

The following table reflects the activity of the past two years:

| | Claims Payable July 1 | Claims and Changes in Estimates | Claims Paid | Claims Payable June 30 |
|-----------|--------------------------------------|--|------------------------|---------------------------------------|
| 2008-2009 | \$ 16,871 | \$ 9,352,273 | \$ 10,702,324 | \$ 1,333,180 |
| 2009-2010 | 1,333,180 | 11,431,964 | 11,406,823 | 1,358,321 |

15. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

The Town sponsors and administers the Town of New Milford Pension Plan (the Plan) which is a single employer contributory defined benefit plan. The Plan covers all full-time employees of the Town and Board of Education other than certified teachers, who are covered under the State Teacher’s Retirement System. Plan benefits and contribution requirements are established by the plan document. All full-time employees eligible to participate in the Plan become a plan participant with their date of hire. The Plan is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial reports as a Pension Trust Fund. A separate stand-alone report is not issued.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due pursuant to contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan. Administrative costs are funded by the income of the fund.

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

At July 1, 2009, Plan membership consisted of:

| | |
|--|-------------------|
| Retirees and beneficiaries receiving benefits | 169 |
| Terminated plan members entitled to benefits but not yet receiving them | 71 |
| Disabled plan members | 6 |
| Active plan members | <u>449</u> |
| Total | <u><u>695</u></u> |

C. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town Council. The employer's contributions are based on normal cost and an amortization of the unfunded actuarial accrued liability. The Town's actuary determined annual contributions to the Plan.

D. Benefit Provisions

Benefit provisions are established and may be amended by the Town Council and vary by class of employees covered, per terms of the plan agreement. The following is a summary of the provisions for each type of class covered:

Non-union employees: All full-time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 1.6% (for general government employees and library employees), 2.0% (for sewer employees) and 1.33% (for Board of Education employees) of the participant's highest average annual compensation in the 5 years during the last 10 years of service, multiplied by the number of years of service. The normal retirement age is the earlier of age 65 with 5 years of service or the attainment of age 60 and age plus service equals or exceeds 85. Employees are eligible for early retirement (within 10 years of the normal retirement date but not earlier than age 55). Benefits are reduced by ½% per month for each month that the early retirement date precedes the normal retirement date. Employees are not required to contribute to the Plan.

Teamsters: All full-time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 1.8% of the participant's highest average annual compensation in the 3 years during the last 10 years of service, multiplied by the number of years of service. The normal retirement age is the earlier of age 65 with 5 years of service or age plus service equals or exceeds 84, regardless of age. Employees are eligible for early retirement (within 10 years of the normal retirement date but not earlier than age 55). Benefits are reduced by ½% per month for each month that the early retirement date precedes the normal retirement date. Employees are required to contribute 2% of compensation under a salary reduction agreement to the Plan.

AFSCME: All full-time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 1.6% of the participant's highest average annual compensation in the 3 years during the last 10 years of service, multiplied by the number of years of service. The normal retirement age is the earlier of age 65 with 5 years of service or the attainment of age 60 and age plus service equals or exceeds 84. Employees are eligible for early retirement (within 10 years of the normal retirement date but not earlier than age 55). Benefits are reduced by ½% per month for each month that the early retirement date precedes the normal retirement date. Employees are required to contribute 2% of compensation under a salary reduction agreement to the Plan.

Police: All full-time regular employees are eligible for participation in the Plan and become fully vested in the Plan upon completion of 10 years of service. The normal retirement benefit is calculated as 2.5% (amended in 2007 from 2.25%) of the participant's highest average annual compensation in the 3 years during the last 5 years of service, multiplied by the number of years of service, up to a 30-year maximum, plus 1.0% of the participant's highest average annual compensation in the 3 years during the last 5 years of service multiplied by the number of years of service, up to a 35-year maximum. The normal retirement age is the earlier of age 55 with 5 years of service or the completion of 25 years of service. Employees are required to contribute 6% of compensation to the Plan, until 35 years of service is attained, at which point contributions are not required. There are no early retirement provisions.

E. Annual Pension Cost and Net Pension Obligations

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

| | |
|--|--------------------------|
| Annual required contribution | \$ 1,782,241 |
| Interest on net pension obligation | (12,099) |
| Adjustment to annual required contribution | <u>18,858</u> |
| Annual pension cost | 1,789,000 |
| Contributions made | <u>2,021,513</u> |
| Increase in net pension asset | (232,513) |
| Net pension asset at beginning of year | <u>(151,242)</u> |
| Net Pension Asset at End of Year | <u><u>\$ 383,755</u></u> |

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

| | |
|-------------------------------|---|
| Actuarial valuation date | July 1, 2009 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent |
| Remaining amortization period | 10 years, open |
| Asset valuation method | Market value of assets with future market gains and losses recognized over five years |
| Actuarial assumptions: | |
| Investment rate of return | 8% per annum |
| Projected salary increases | 4.5% per annum |

F. Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|--------------------------|----------------------------------|--------------------------------------|---------------------------------------|
| 6/30/08 | \$ 1,639,806 | 102.0% | \$ 8,152 |
| 6/30/09 | 1,641,276 | 109.7 | (151,242) |
| 6/30/10 | 1,789,000 | 113.0 | (383,755) |

G. Pension Plan Required Supplementary Information

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Under Funded AAL as a % of Covered Payroll ((a-b)/c) |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|---|
| 7/01/04 | \$ 24,677,125 | \$ 24,420,448 | \$ (256,677) | 101.1% | \$ 13,754,542 | (1.9)% |
| 7/01/05 | 26,554,577 | 26,512,575 | (42,002) | 100.2 | 14,123,575 | (0.3) |
| 7/01/06 | 29,483,115 | 34,384,882 | 4,901,767 | 85.7 | 15,684,746 | 31.3 |
| 7/01/07 | 33,152,909 | 36,650,799 | 3,497,890 | 90.5 | 16,167,482 | 21.6 |
| 7/01/08 | 35,890,689 | 40,296,699 | 4,406,010 | 89.1 | 16,488,966 | 26.7 |
| 7/01/09 | 37,509,988 | 43,204,296 | 5,694,308 | 86.8 | 13,735,383 | (41.5) |

Schedule of Employer Contributions

| <u>Fiscal Year Ended</u> | | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|----------------------------------|----|---|-----------------------------------|
| 6/30/05 | \$ | 1,274,284 | 102.5% |
| 6/30/06 | | 1,505,366 | 102.2 |
| 6/30/07 | | 1,778,562 | 101.7 |
| 6/30/08 | | 1,641,640 | 101.9 |
| 6/30/09 | | 1,641,640 | 109.7 |
| 6/30/10 | | 1,782,241 | 113.5 |

H. Teacher Retirement

All Town of New Milford teachers participate in the State of Connecticut Teacher's Retirement System, a cost-sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- Attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or;
- Attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$26,773,852.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. For the year ended June 30, 2010, the Town has recorded in the General Fund (Exhibit IV) intergovernmental revenue and education expenditures in the amount of \$4,141,768 as payments made by the State of Connecticut on behalf of the Town. The Town does not have any liability for teacher pensions.

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

16. OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

Basis of Accounting

The Town has not established a trust for these benefits. The benefits are paid directly out of the Internal Service Fund on a pay-as-you-go basis.

Program Description

The Town of New Milford Other Postemployment Benefits Program is a single-employer defined benefit healthcare plan administered by the Town of New Milford. The program provides medical, dental and life insurance benefits to eligible retirees and their spouses as established through negotiations between the Town and the various unions representing the employees. Eligible full-time and part-time employees of the Town may elect to participate in the program.

At July 1, 2008, program membership consisted of the following:

| | Retiree Health Plan |
|----------------------------|------------------------------------|
| Retired members | 77 |
| Spouses of retired members | 31 |
| Active plan members | 408 |
| Total Participants | <u>516</u> |

Funding Policy

The contribution requirements of program members and the Town/Board of Education are also negotiated with the various unions representing the employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as listed below. These average costs with the actual costs to the retirees based on the employee group they were in when they retired.

Contributions

The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits. For the year ended June 30, 2010, employer contributions were \$745,000, which represents premium payments. The Town did not contribute an amount towards the liability to refund benefits in addition to this.

Annual OPEB Cost and Net OPEB Obligations

The Town of New Milford's 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 Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

| | Retiree Health Plan |
|--|--------------------------------|
| Annual required contribution (ARC) | \$ 1,031,000 |
| Interest on net OPEB obligation | 30,000 |
| Adjustment to annual required contribution | <u>(21,331)</u> |
| Annual OPEB cost | 1,039,669 |
| Contributions made | <u>(745,000)</u> |
| Increase in net OPEB obligation | 294,669 |
| Net OPEB obligation at beginning of year | <u>375,000</u> |
| Net OPEB Obligation at End of Year | <u>\$ 669,669</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal years ending June 30, 2009 and 2010 are presented below.

| Fiscal Year Ended | Annual OPEB Cost (AOC) | Actual Contribution | Percentage of AOC Contributed | Net OPEB Obligation |
|----------------------------------|---------------------------------------|--------------------------------|--|------------------------------------|
| 6/30/09 | \$ 1,079,000 | \$ 704,000 | 65.25% | \$ 375,000 |
| 6/30/10 | 1,039,669 | 745,000 | 71.66 | 669,669 |

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$11,144,000 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,144,000. The covered payroll (annual payroll of active employees covered by the plan) was not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an 8% investment rate of return, which is the rate of the expected long-term investment returns of program assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 6.9% initially, reduced by decrements to an ultimate rate of 4.4% after four years. Projected salary increases were 4.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2008 was 30 years.

17. COMMITMENTS AND CONTINGENCIES

There are several legal matters pending against the Town. The outcome and eventual liability of the Town, if any, in these cases is not known by management. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

The Town has received State and Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material. In addition, the State of Connecticut Department of Transportation is overseeing a sewer construction project for the Town and upon completion will submit a request for reimbursement from the Town, which could be in excess of \$2,300,000. As of June 30, 2010, the amount owed to the State is not determinable.

18. SUBSEQUENT EVENT

On July 27, 2010, the Town of New Milford issued \$3,865,000 of general obligation bonds and \$12,750,000 of general obligation bond anticipation notes. The general obligation bonds bear interest ranging from 2.00-4.00% and are payable over a 20-year span with a final payment date of July 15, 2030. The general obligation bond anticipation notes bear interest at 1.50% and have a maturity date of July 26, 2011.

**TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Over (Under)</u> |
|--|-------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Property Taxation: | | | | |
| Revenues from property taxes | \$ 67,517,266 | \$ 67,517,266 | \$ 67,536,036 | \$ 18,770 |
| Interest and lien fees | 450,000 | 450,000 | 663,350 | 213,350 |
| Total property taxation | <u>67,967,266</u> | <u>67,967,266</u> | <u>68,199,386</u> | <u>232,120</u> |
| Licenses and Permits: | | | | |
| Assessor | 3,000 | 3,000 | 2,766 | (234) |
| Building permits | 425,000 | 425,000 | 372,674 | (52,326) |
| Planning Commission | 5,000 | 5,000 | 91 | (4,909) |
| Public safety permits | 5,000 | 5,000 | 11,750 | 6,750 |
| Sanitary permits | 22,500 | 22,500 | 31,556 | 9,056 |
| Zoning Board of Appeals | 3,500 | 3,500 | 2,446 | (1,054) |
| Zoning Board Fees | 50,000 | 50,000 | 40,508 | (9,492) |
| Zoning Self Sustaining Fees | 15,000 | 15,000 | 9,413 | (5,587) |
| Total licenses and permits | <u>529,000</u> | <u>529,000</u> | <u>471,204</u> | <u>(57,796)</u> |
| Intergovernmental Revenues: | | | | |
| Bioterrorism grant | 28,250 | 93,124 | 53,906 | (39,218) |
| Commission on aging | 25,000 | 25,000 | | (25,000) |
| Commission on aging Housatonic Trans. | 41,935 | 41,934 | 36,167 | (5,767) |
| Education cost sharing grant | 11,939,587 | 10,236,226 | 10,169,416 | (66,810) |
| Health services block grant | 4,100 | 4,100 | 3,714 | (386) |
| Local capital improvement program | 207,805 | 207,805 | 198,095 | (9,710) |
| Magnet School Transport | | | 22,100 | 22,100 |
| Mashantucket Pequot/Mohegan fund | 113,174 | 113,174 | 77,380 | (35,794) |
| Payment in lieu of taxes, boats | 15,907 | 15,907 | 8,150 | (7,757) |
| Payment in lieu of taxes, colleges and hospital | 188,153 | 188,153 | 185,829 | (2,324) |
| Payment in lieu of taxes, state owned property | 55,134 | 55,134 | 55,227 | 93 |
| Property tax relief for totally disabled | | | 2,139 | 2,139 |
| Property tax relief for manufacturing machinery and equipment | 1,079,000 | 1,079,000 | 886,449 | (192,551) |
| Property tax relief for elderly homeowners freeze | 157,180 | 157,180 | 159,340 | 2,160 |
| Property tax relief for veterans | 7,520 | 7,520 | 9,681 | 2,161 |
| School building grants | 1,632,271 | 1,632,271 | 1,632,361 | 90 |
| School transportation grant | 446,332 | 446,332 | 467,245 | 20,913 |
| Telephone tax | 175,000 | 175,000 | 111,459 | (63,541) |
| Youth services bureau grant | 21,500 | 21,500 | 27,756 | 6,256 |
| Miscellaneous grants | 15,000 | 138,808 | 111,868 | (26,940) |
| Total intergovernmental revenues | <u>16,152,848</u> | <u>14,638,168</u> | <u>14,218,282</u> | <u>(419,886)</u> |

(Continued on next page)

TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Over (Under)</u> |
|--|-------------------------|----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Charges for Goods and Services: | | | | |
| Commission on aging | \$ 15,000 | \$ 15,000 | \$ 20,693 | \$ 5,693 |
| Commission on arts | 3,000 | 3,000 | 1,300 | (1,700) |
| Fire marshal fees | 40,000 | 40,000 | 42,491 | 2,491 |
| Hazardous waste | 14,500 | 14,500 | 17,426 | 2,926 |
| Health services | 33,800 | 33,800 | 30,944 | (2,856) |
| Historical document | 30,000 | 30,000 | 8,807 | (21,193) |
| Inland/Wetlands fees | 25,000 | 25,000 | 16,593 | (8,407) |
| Inland/Wetlands significant activity fees | 10,000 | 10,000 | 12,100 | 2,100 |
| Insurance policies | | | 3,705 | 3,705 |
| LOCIP revenue, Town Clerk | 15,000 | 15,000 | | (15,000) |
| Miscellaneous | 40,000 | 43,000 | 133,625 | 90,625 |
| Park and recreation commission fees | 154,622 | 154,622 | 159,984 | 5,362 |
| Park and recreation - self-supporting | | 1,825 | 1,825 | - |
| Parking violations | 20,000 | 20,000 | 14,815 | (5,185) |
| Passport fees | 10,000 | 10,000 | 12,125 | 2,125 |
| Private duty police | 50,000 | 50,000 | 485,459 | 435,459 |
| Recreation | 373,158 | 373,158 | 341,724 | (31,434) |
| Recycling | 30,000 | 30,000 | | (30,000) |
| Rental of Town property | 15,000 | 15,000 | 16,520 | 1,520 |
| Sullivan Farm revenue programs | 72,000 | 72,000 | 61,040 | (10,960) |
| Teen Center | 72,000 | 72,000 | 69,072 | (2,928) |
| Tuition revenue | 1,013,803 | 1,013,803 | 1,179,879 | 166,076 |
| Town clerk fees | 700,000 | 700,000 | 615,022 | (84,978) |
| Youth services | 458,919 | 458,919 | 397,258 | (61,661) |
| Total charges for goods and services | <u>3,384,106</u> | <u>3,388,931</u> | <u>3,830,711</u> | <u>441,780</u> |
| Investment Income | <u>550,000</u> | <u>550,000</u> | <u>95,984</u> | <u>(454,016)</u> |
| Other: | | | | |
| Reimbursements | 1,000 | 1,000 | 3,875 | 2,875 |
| Miscellaneous | | 612 | 165,276 | 164,664 |
| Total other revenues | <u>1,000</u> | <u>1,612</u> | <u>169,151</u> | <u>167,539</u> |
| Total revenues | <u>88,584,220</u> | <u>87,074,977</u> | <u>86,984,718</u> | <u>(90,259)</u> |
| Other Financing Sources: | | | | |
| Appropriation of fund balance | | 375,000 | | (375,000) |
| Transfers in | 1,433,564 | 1,438,424 | 1,027,484 | (410,940) |
| Total other financing sources | <u>1,433,564</u> | <u>1,813,424</u> | <u>1,027,484</u> | <u>(785,940)</u> |
| Total Revenues and Other Financing Sources | <u>\$ 90,017,784</u> | <u>\$ 88,888,401</u> | 88,012,202 | <u>\$ (876,199)</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. | | | 4,141,768 | |
| Issuance of capital lease proceeds are not recorded for budgeting purposes. | | | 277,279 | |
| The Board of Education does not budget for intergovernmental grants revenue received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes. | | | 1,203,865 | |
| Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for GAAP financial reporting purposes. | | | <u>(102,165)</u> | |
| Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV | | | <u>\$ 93,532,949</u> | |

TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Over (Under)</u> |
|---------------------------------------|-------------------------|-------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| General Government: | | | | |
| Mayor | \$ 219,951 | \$ 221,878 | \$ 221,878 | \$ - |
| Town Council | 12,000 | 12,000 | 9,763 | (2,237) |
| Board of Finance | 3,750 | 3,750 | 3,381 | (369) |
| Community and Economic Development | 79,978 | 80,590 | 78,048 | (2,542) |
| Town Historian | 75 | 75 | | (75) |
| Tax Collector | 190,309 | 191,337 | 189,043 | (2,294) |
| Assessor | 219,211 | 219,211 | 218,523 | (688) |
| Audit services | 62,500 | 62,500 | 62,500 | - |
| Benefits and general insurance | 6,933,109 | 7,004,977 | 6,543,353 | (461,624) |
| Contingency | 250,000 | 23,335 | | (23,335) |
| Finance Director | 320,386 | 327,092 | 327,092 | - |
| Tax rebates | 50,000 | 50,000 | 37,443 | (12,557) |
| Personnel Commission | 450 | 450 | 168 | (282) |
| Board of tax review | 3,375 | 3,595 | 3,595 | - |
| Legal | 387,000 | 460,420 | 442,570 | (17,850) |
| Zoning Board of Appeals | 5,575 | 5,575 | 3,553 | (2,022) |
| Probate Court | 8,100 | 8,100 | 8,376 | 276 |
| Ethics Commission | 200 | 200 | | (200) |
| Aquifer Protection | 7,550 | 7,550 | 735 | (6,815) |
| Personnel | 120,712 | 120,712 | 118,565 | (2,147) |
| Town Clerk | 344,885 | 345,965 | 295,580 | (50,385) |
| Registrar of voters | 112,525 | 112,924 | 103,991 | (8,933) |
| Utilities, gasoline and postage | 780,865 | 780,865 | 667,445 | (113,420) |
| Economic Development Commission | 5,590 | 5,590 | 2,434 | (3,156) |
| Zoning Commission | 148,280 | 148,280 | 116,930 | (31,350) |
| Planning Commission | 21,254 | 21,254 | 16,889 | (4,365) |
| Conservation Commission | 3,000 | 3,000 | 515 | (2,485) |
| Annual town report | 750 | 750 | 750 | - |
| Service contracts, office machinery | 11,100 | 11,100 | 10,267 | (833) |
| Duplicating | 41,365 | 41,365 | 27,972 | (13,393) |
| Transportation | 7,300 | 7,300 | 5,713 | (1,587) |
| Housatonic Valley Council | 17,914 | 17,914 | 17,914 | - |
| Computer materials and supplies | 168,845 | 168,845 | 167,391 | (1,454) |
| Connecticut Council of Municipalities | 17,170 | 17,170 | 17,021 | (149) |
| Dues CT Council of Small Towns | 1,225 | 1,225 | 1,225 | - |
| Total general government | <u>10,556,299</u> | <u>10,486,894</u> | <u>9,720,623</u> | <u>(766,271)</u> |
| Public Safety: | | | | |
| Police | 4,253,446 | 4,449,549 | 4,393,571 | (55,978) |
| Fire Departments | 411,436 | 415,431 | 410,697 | (4,734) |
| Traffic lights | 4,600 | 4,600 | 4,993 | 393 |
| Street lighting | 31,000 | 31,000 | 30,310 | (690) |
| Tree Warden | 12,000 | 12,000 | 12,000 | - |
| Building Inspector | 212,923 | 213,173 | 216,942 | 3,769 |
| N.M. water company fire hydrants | 51,576 | 51,576 | 51,449 | (127) |
| Local emergency planning | 9,900 | 9,900 | 2,891 | (7,009) |
| Fire Marshal | 178,112 | 178,112 | 171,349 | (6,763) |
| Constables expense | 50,000 | 400,000 | 393,244 | (6,756) |
| N.M. community ambulance | 226,184 | 226,184 | 225,623 | (561) |
| Traffic authority | 1,225 | 1,225 | 1,225 | - |
| Total public safety | <u>5,442,402</u> | <u>5,992,750</u> | <u>5,914,294</u> | <u>(78,456)</u> |

(Continued on next page)

TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Over (Under)</u> |
|---|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Public Works: | | | | |
| Highways, streets and bridges | \$ 3,861,709 | \$ 3,861,709 | \$ 3,846,548 | \$ (15,161) |
| Building maintenance | 529,684 | 534,684 | 527,292 | (7,392) |
| Recycling | 364,071 | 364,071 | 361,283 | (2,788) |
| Total public works | <u>4,755,464</u> | <u>4,760,464</u> | <u>4,735,123</u> | <u>(25,341)</u> |
| Health and Welfare: | | | | |
| Director of Health | 331,442 | 471,337 | 411,024 | (60,313) |
| Dog Pound | 125,500 | 125,500 | 124,541 | (959) |
| Teen Center | 165,576 | 165,576 | 169,054 | 3,478 |
| Commission on Aging | 382,541 | 382,410 | 384,688 | 2,278 |
| Children's Center | 79,500 | 79,500 | 79,500 | - |
| Sailors, soldiers and marine fund | 8,435 | 8,435 | 8,235 | (200) |
| Youth Services Agency | 372,145 | 378,190 | 378,176 | (14) |
| Youth before and after school | 425,919 | 425,919 | 388,047 | (37,872) |
| New Milford VNA | 76,000 | 76,000 | 76,000 | - |
| Social Services | 134,394 | 143,978 | 143,485 | (493) |
| Total health and welfare | <u>2,101,452</u> | <u>2,256,845</u> | <u>2,162,750</u> | <u>(94,095)</u> |
| Culture and Recreation: | | | | |
| Inland Wetlands | 121,962 | 121,962 | 118,341 | (3,621) |
| Parks & Recreation | 1,038,991 | 1,041,316 | 914,596 | (126,720) |
| Commission on the Arts | 15,200 | 15,200 | 13,451 | (1,749) |
| Housatonic River Commission | 250 | 250 | 250 | - |
| Candlewood Lake Authority | 55,200 | 55,200 | 55,200 | - |
| Lake Lillinonah Authority | 21,314 | 23,680 | 23,680 | - |
| Housatonic Regulatory Transit Authority | 53,482 | 53,482 | 53,482 | - |
| NM Center Cemetery | 28,195 | 28,195 | 28,195 | - |
| Farmland preservation | 6,500 | 6,500 | 6,481 | (19) |
| Gaylordsville School - materials | 1,350 | 1,350 | 515 | (835) |
| Sullivan Road school - materials | 650 | 650 | 205 | (445) |
| Housatonic Valley Association | 450 | 450 | 450 | - |
| Total culture and recreation | <u>1,343,544</u> | <u>1,348,235</u> | <u>1,214,846</u> | <u>(133,389)</u> |
| Education: | | | | |
| Kindergarten | 634,371 | 652,192 | 652,158 | (34) |
| Non-department instruction grade 1-5 | 6,803,029 | 6,265,458 | 6,004,965 | (260,493) |
| Business education | 295,309 | 242,825 | 223,680 | (19,145) |
| English/language arts | 1,975,402 | 1,851,548 | 1,709,240 | (142,308) |
| Foreign language | 1,103,001 | 983,498 | 852,928 | (130,570) |
| Home economics | 174,859 | 174,859 | 174,611 | (248) |
| Industrial arts | 335,367 | 280,303 | 256,035 | (24,268) |
| Mathematics | 1,643,078 | 1,654,363 | 1,599,803 | (54,560) |

(Continued on next page)

TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Over (Under)</u> |
|---|-------------------------|--------------|---------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Education (Continued): | | | | |
| Music | \$ 811,524 | \$ 785,423 | \$ 811,536 | \$ 26,113 |
| Physical education | 960,018 | 816,601 | 829,586 | 12,985 |
| Science | 1,706,869 | 1,660,805 | 1,666,334 | 5,529 |
| Social studies | 1,562,000 | 1,516,027 | 1,512,127 | (3,900) |
| Patient care technology | 16,345 | 16,345 | 16,315 | (30) |
| Health and safety | 329,994 | 272,730 | 228,833 | (43,897) |
| Career education | 34,245 | 34,245 | 27,969 | (6,276) |
| Computer education | 361,557 | 361,557 | 351,195 | (10,362) |
| Driver education | (9,000) | (9,000) | (8,541) | 459 |
| Remedial reading | 835,238 | 762,770 | 753,961 | (8,809) |
| English as a second language | 135,880 | 136,022 | 113,105 | (22,917) |
| Distributive education | 89,348 | 75,348 | 53,870 | (21,478) |
| Art | 806,014 | 807,093 | 806,443 | (650) |
| General instructional supplies | 338,505 | 344,357 | 401,608 | 57,251 |
| Substitute teachers | 380,009 | 380,009 | 335,225 | (44,784) |
| Instructional testing | 96,858 | 111,858 | 118,132 | 6,274 |
| Non-department instruction grade 6-12 | 134,836 | 134,836 | 184,386 | 49,550 |
| Gifted talented and enrichment | 110,460 | 108,460 | 106,762 | (1,698) |
| Excel-exper, center early | 375,943 | 375,943 | 375,943 | - |
| Special education - non categorical | 4,707,542 | 4,647,194 | 4,642,882 | (4,312) |
| Transition 18-21 program (LHTC) | 171,033 | 171,033 | 162,238 | (8,795) |
| Learning disabled and emotionally handicapped | | | 128 | 128 |
| Tutorial | 210,779 | 210,779 | 204,779 | (6,000) |
| Homebound instruction | 72,000 | 72,000 | 65,042 | (6,958) |
| Other special education | 291,873 | 291,873 | 303,016 | 11,143 |
| Special ed para substitutes | 69,026 | 69,026 | 91,953 | 22,927 |
| Adult ed - basic program | 100,175 | 100,175 | 99,172 | (1,003) |
| Adult ed - high school equivalency | 4,970 | 4,970 | 5,567 | 597 |
| Summer school - remedial | 37,400 | 37,400 | 38,318 | 918 |
| Social work services | 235,962 | 210,066 | 210,353 | 287 |
| Guidance services | 906,199 | 735,473 | 738,302 | 2,829 |
| Health services | 922,317 | 937,149 | 926,474 | (10,675) |
| Psychological services | 442,770 | 366,677 | 389,095 | 22,418 |
| Speech and hearing | 796,887 | 719,352 | 691,540 | (27,812) |
| Staff development and training | 59,800 | 59,800 | 51,957 | (7,843) |
| Curriculum development | 123,657 | 123,657 | 155,496 | 31,839 |
| Library services | 689,907 | 623,736 | 612,773 | (10,963) |
| Audio-visual services | 18,626 | 20,025 | 15,356 | (4,669) |
| Educational television | 2,500 | 2,500 | 2,002 | (498) |
| Board of Education | 152,250 | 152,250 | 155,836 | 3,586 |
| Central Administration | 342,714 | 342,714 | 130,184 | (212,530) |
| Office of the Principal | 2,568,291 | 2,510,958 | 2,477,856 | (33,102) |

(Continued on next page)

TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With</u> |
|-----------------------------------|-------------------------|-------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Over (Under)</u> |
| Education (Continued): | | | | |
| Other school administration | \$ 121,288 | \$ 121,715 | \$ 116,275 | \$ (5,440) |
| Fiscal services | 448,131 | 446,631 | 436,957 | (9,674) |
| Other business support services | 407,202 | 407,202 | 346,987 | (60,215) |
| Custodial and housekeeping | 1,944,478 | 1,932,868 | 1,937,725 | 4,857 |
| Maintenance and repair | 3,310,887 | 3,307,355 | 2,932,803 | (374,552) |
| Building use - administration | (20,675) | (20,675) | (40,018) | (19,343) |
| Security | | 62,101 | 62,101 | - |
| Reimbursable transport | 4,224,776 | 4,077,099 | 4,025,579 | (51,520) |
| Non-reimbursable transport | | | 10,461 | 10,461 |
| Planning and evaluation | 43,675 | 43,675 | 17,955 | (25,720) |
| Community and staff relations | 14,100 | 14,100 | 9,874 | (4,226) |
| Recruiting and personnel services | 190,111 | 196,111 | 190,911 | (5,200) |
| Data processing | 210,097 | 210,097 | 213,176 | 3,079 |
| Social Security | 589,267 | 589,267 | 566,285 | (22,982) |
| Medicare | 387,590 | 387,590 | 447,676 | 60,086 |
| Life insurance | 97,348 | 97,348 | 108,097 | 10,749 |
| Disability insurance | 183,351 | 142,236 | 104,294 | (37,942) |
| Medical insurance | 6,611,309 | 6,611,309 | 6,611,309 | - |
| Unemployment insurance | 82,610 | 82,610 | 30,232 | (52,378) |
| Other benefits | 425,492 | 621,492 | 661,429 | 39,937 |
| Pension - non-certified employees | 344,200 | 344,200 | 442,341 | 98,141 |
| Food service program | | | 6,500 | 6,500 |
| Interscholastic sports | 672,407 | 672,407 | 648,647 | (23,760) |
| Intramural sports | 29,968 | 29,968 | 20,284 | (9,684) |
| Other student activities | 194,814 | 194,814 | 186,003 | (8,811) |
| Tuition - CT public schools | 532,157 | 532,157 | 654,873 | 122,716 |
| Tuition - Non-public schools | 636,210 | 636,210 | 807,573 | 171,363 |
| Capital - facilities | 61,605 | 61,605 | 662,589 | 600,984 |
| Capital - technology | 194,642 | 194,642 | 199,158 | 4,516 |
| Capital - other | 40,434 | 40,434 | 38,472 | (1,962) |
| Total education | <u>56,945,211</u> | <u>55,241,850</u> | <u>54,785,076</u> | <u>(456,774)</u> |
| Capital Outlays: | | | | |
| Probate Court | 2,250 | 2,250 | 1,946 | (304) |
| Planning Commission | 30,100 | 25,375 | 25,139 | (236) |
| Health | 1,100 | 1,100 | | (1,100) |
| Youth Agency | 16,500 | 16,500 | 12,153 | (4,347) |
| Police Equipment | 8,241 | 7,983 | 2,666 | (5,317) |
| Community Ambulance | 59,700 | 55,200 | 55,171 | (29) |
| Public Works Highway | 597,927 | 589,861 | 570,160 | (19,701) |
| Park and Recreation | 73,672 | 62,270 | 63,943 | 1,673 |
| Assessor | 335,500 | 335,500 | 335,440 | (60) |

(Continued on next page)

TOWN OF NEW MILFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance With Final Budget Over (Under)</u> |
|---|-------------------------|----------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Capital Outlays (Continued): | | | | |
| Commission on Aging | \$ 1,500 | \$ 17,631 | \$ 17,581 | \$ (50) |
| Building maintenance - Town Hall | 1,500 | 13,304 | 13,240 | (64) |
| Richmond Center | | 1,118 | 1,118 | - |
| Building maintenance equipment | | 5,340 | 5,235 | (105) |
| Town Hall phone system | 15,700 | 15,700 | 10,884 | (4,816) |
| Building maintenance - all buildings | 10,000 | 24,850 | 24,850 | - |
| Building maintenance - police station | 9,000 | 99,055 | 99,055 | - |
| Building maintenance - teen center | 13,500 | 13,500 | 13,500 | - |
| Building maintenance - library | | 10,863 | 4,040 | (6,823) |
| Computer hardware and software - Town | 20,000 | 11,774 | 11,774 | - |
| NM Center Cemetery | 15,000 | | | - |
| Total capital outlays | <u>1,211,190</u> | <u>1,309,174</u> | <u>1,267,895</u> | <u>(41,279)</u> |
| Debt Service: | | | | |
| Principal payments | 4,448,060 | 4,448,060 | 3,894,122 | (553,938) |
| Interest and fiscal charges | 2,123,688 | 2,123,688 | 1,925,639 | (198,049) |
| Total debt service | <u>6,571,748</u> | <u>6,571,748</u> | <u>5,819,761</u> | <u>(751,987)</u> |
| Total expenditures | 88,927,310 | 87,967,960 | 85,620,368 | (2,347,592) |
| Other Financing Uses: | | | | |
| Transfers out | <u>1,090,474</u> | <u>1,209,883</u> | <u>1,209,823</u> | <u>(60)</u> |
| Total Expenditures and Other Financing Uses | <u>\$ 90,017,784</u> | <u>\$ 89,177,843</u> | 86,830,191 | <u>\$ (2,347,652)</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.

4,141,768

Capital lease payments are not recorded for budgeting purposes.

277,279

The Board of Education does not budget for intergovernmental grants revenue received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

1,203,865

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 GAAP financial reporting purposes.

(1,653,116)

Encumbrances for purchases and commitments ordered in the previous year that were received and liquidated in the current year are reported for GAAP financial statement reporting purposes.

1,792,363

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

\$ 92,592,350