

**Comprehensive Annual Financial Report**  
**of the**  
**Borough of Naugatuck, Connecticut**  
**Year Ended June 30, 2014**

# Borough of Naugatuck, Connecticut

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# **Introductory Section**

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**Borough of Naugatuck, Connecticut**

List of Principal Officials  
June 30, 2014

**Mayor**

Robert A. Mezzo

**Burgesses**

Tamath K. Rossi, Deputy Mayor  
Michael Bronko, Burgess  
Robert J. Burns, Burgess  
Catherine Emsky, Burgess  
Laurie Jackson, Burgess  
Robert A. Neth, Burgess  
Laurie Jackson, Burgess  
Alexander Olbrys, Burgess  
Patrick J. Scully, Burgess  
Rocky Vitale, Burgess

**Administration**

Treasurer  
Tax Collector  
Town Clerk  
Assessor  
Controller  
Police Chief  
Fire Chief  
Director of Public Works & Recreation

Judy E. Anderson  
James Goggin  
Michelle Dowling  
George Hlavachek  
Robert Butler  
Chris Edson  
Ken Hanks  
James Stewart

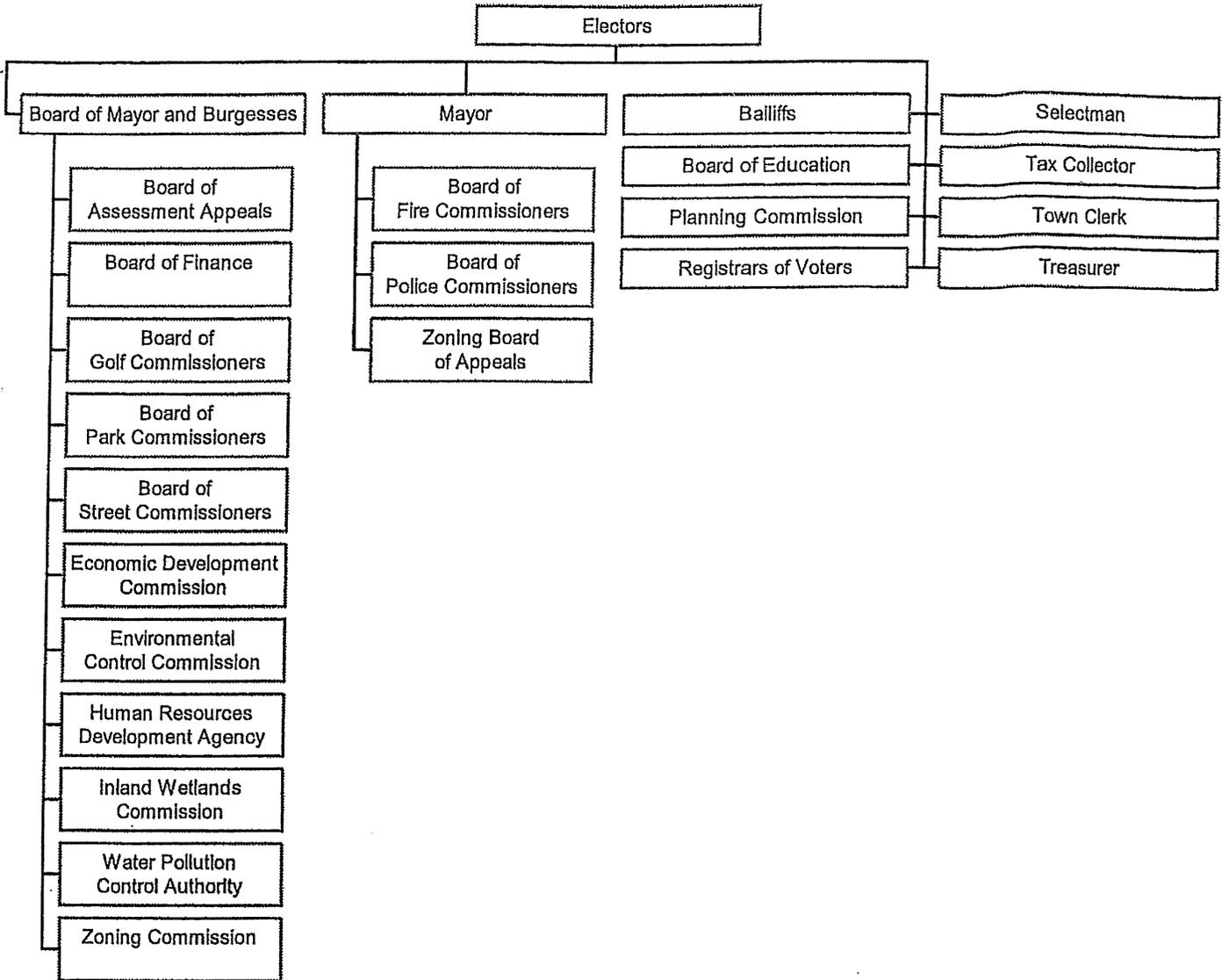
**Board of Education**

Mr. David Heller, Chairman  
Mrs. Dorothy Neth-Kunin, Vice Chair  
Mr. Glen Connan  
Ms. Ethel Grant  
Mr. James Jordan  
Mrs. Diana Malone  
Mr. James Scully  
Mr. Scott Slauson

Superintendent of Schools  
Finance and Administration

Sharon Locke  
Robert Butler

# Organizational Chart



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# Financial Section

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## Independent Auditor's Report

Boards of Mayor and Burgesses and Board of Finance  
Borough of Naugatuck, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Borough of Naugatuck, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefit plan schedules on pages 6 through 14 and pages 63 through 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015, on our consideration of the Borough of Naugatuck, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Naugatuck, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Hartford, Connecticut  
March 12, 2015



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**Management's Discussion and Analysis  
Year Ended June 30, 2014**

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As management of the Borough of Naugatuck, Connecticut, we offer readers of the Borough of Naugatuck's financial statements this narrative overview and analysis of the financial activities of the Borough of Naugatuck for the fiscal year ended June 30, 2014.

**Financial Highlights**

- The assets of the Borough exceeded its liabilities at the close of the most recent fiscal year by \$101,637,063 (*net position*). *Unrestricted net position*, the amount that may be used to meet the Borough's ongoing obligations to citizens and creditors, was a deficit balance of \$(29,632,327) at June 30, 2014.
- The Borough's total net position increased by \$12,785,235. The increase is due substantially to capital asset additions in excess of depreciation expense due to the NHS Reconstruction and Renovation project, offset by bond issuances and payments and an increase in the OPEB liability of \$8,730,700.
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$7,763,156, a decrease of \$9,167,903 in comparison with the prior year. This decrease is a result of negative operations of \$9,380,550 in the NHS Reconstruction and Renovation Fund, which is offset by positive operations of \$1,552,139 in the general fund. The general fund results were due substantially to expenditures less than budgeted, and the results in the NHS Reconstruction and Renovation fund were due to construction activity which has been primarily financed with bond anticipation notes. Once the bond anticipation notes are permanently financed, the fund deficit will be eliminated. Of the total fund balance, \$13,877,643 is nonspendable, restricted, committed or assigned, leaving an *unassigned fund balance* in the amount of \$(6,114,487).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,628,371, an increase of \$952,698 in comparison with the prior year. This represents 12.5% of total budgetary general fund expenditures and transfers out.

**Overview of the Basic Financial Statements**

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

**Government-wide financial statements.** One of the most important questions asked about the Borough's finances is, "Is the Borough as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information about the Borough as a whole and about its activities in a way that helps answer this question.

## Management's Discussion and Analysis (continued)

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These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

You will need to consider other nonfinancial factors, however, such as changes in the Borough's property tax base and the condition of the Borough's roads, to assess the overall health of the Borough.

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

The government-wide financial statements present the functions of the Borough that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Borough include general government, public safety, public works, health and welfare and education.

**Fund financial statements.** The fund financial statements provide detailed information about the most significant funds; not the Borough as a whole. Some funds are required to be established by State law and by bond covenants. However, the Borough establishes many other funds to help it maintain control and manage money that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Borough 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 a Borough'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 Borough'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 Borough reports 20 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, NHS Reconstruction and Renovation fund and Capital Nonrecurring fund, which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in Schedules 4 and 5 in this report.

The Borough adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary fund.** The Borough maintains two proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Borough's various functions. The Borough uses an internal service fund to account for its self-insured dental benefits and Board of Education dental benefits. Because these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The data for the internal service funds is provided in Exhibits G, H and I of this report.

**Fiduciary funds.** The Borough is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the Borough's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position (Exhibits J and K). We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Borough's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in Schedules 4 through 5 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Borough's financial position. The Borough's combined net position increased by 14.4% from a year ago – increasing from \$88,851,828 to \$101,637,063.

Management's Discussion and Analysis (continued)

By far the largest portion of the Borough's net position (127.02%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough'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.

A portion of the Borough's net position (2.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (-29.16%) may be used to meet the Borough's ongoing obligations to citizens and creditors.

**Summary Statement of Net Position  
June 30, 2014 and 2013**

	2014	%	2013	%
Current and other assets	\$ 88,341,503	31.37%	\$ 104,745,581	39.15%
Capital assets (net)	193,227,271	68.63%	162,668,815	60.80%
Total assets	281,568,774		267,414,396	
Deferred outflows of resources		0.00%	125,900	0.05%
Current liabilities outstanding	35,028,708	19.47%	44,062,447	24.66%
Long-term liabilities outstanding	143,252,519	79.61%	132,529,284	74.17%
Total liabilities	178,281,227		176,591,731	
Deferred inflows of resources	1,650,484	0.92%	2,096,737	1.17%
Net position:				
Net investment in capital assets	129,094,722	127.02%	86,523,149	97.38%
Restricted	2,174,668	2.14%	2,558,990	2.88%
Unrestricted	(29,632,327)	-29.16%	(230,311)	-0.26%
Total net position	\$ 101,637,063	100.00%	\$ 88,851,828	100.00%

Management's Discussion and Analysis (continued)

**Governmental activities.** The Borough's net position increased by \$12,785,235. Key elements of this increase are as follows:

**Statement of Changes in Net Position  
Years Ending June 30, 2014 and 2013**

	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 9,884,928	\$ 9,871,766
Operating grants and contributions	43,420,641	42,252,414
Capital grants and contributions	17,410,487	3,421,760
General revenues:		
Property taxes	72,459,074	70,083,872
Grants and contributions not restricted to specific programs	1,090,223	1,366,367
Investment income	165,135	208,519
Miscellaneous	566,703	451,672
Total revenues	144,997,191	127,656,370
Expenses:		
General government	10,332,621	10,289,524
Public safety	21,418,222	20,834,858
Public works	13,058,521	12,047,531
Health and welfare	4,299,282	4,311,601
Education	80,266,613	76,510,448
Interest expense	2,836,697	3,834,396
Total expenses	132,211,956	127,828,358
Change in net position	12,785,235	(171,988)
Net position - July 1	88,851,828	89,023,816
Net position - June 30	\$ 101,637,063	\$ 88,851,828

- The \$2,375,202 increase in property taxes was due to an increase in the budget and, therefore, the related tax levy.
- The \$13,988,727 increase in capital grants and contributions was due to the State progress payment grant received for the NHS Reconstruction and Renovation project.
- Operating grants and contributions increased by \$1,168,227 substantially due to increase in town aid road and special education related grants.

## Management's Discussion and Analysis (continued)

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- The \$3,756,165 increase in education expenses increased mainly due to an increase in the budget as well as an increase in the state teacher's retirement contribution from prior year.
- The \$997,699 decrease in interest expense is mainly due to the current year refunding.
- Public work expenses increased by \$1,010,990 due to the Greenway project.

### **Financial Analysis of the Borough's Funds**

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

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

As of the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$7,763,156. \$13,877,643 is not available for new spending because it has already been classified as 1) nonspendable (\$774,262) for the library endowment, 2) restricted (\$2,174,668), 3) committed (\$6,817,549) and 4) assigned (\$4,111,164).

The total fund balance decreased by \$9,167,903 to \$7,763,156. This decrease is a result of expenditures in excess of revenues in the NHS Reconstruction and Renovation Fund of \$(9,380,550), which is offset by positive operations in the general fund. The decrease is related to the Borough's use of bond anticipation notes for the construction of the project.

The general fund is the operating fund of the Borough. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,628,371. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.5% of total general fund expenditures and transfers out.

The fund balance of the Borough's general fund increased by \$1,552,139 due to expenditures under budget reported for every department. The significant departments that were underspent are discussed below under the General Fund Budgetary Highlights section.

**NHS Reconstruction and Renovation Fund.** This fund accounts for financial resources to be used for the \$81,000,000 reconstruction and renovation of the High School project. The primary source of funding is bond anticipation notes.

**Capital Nonrecurring Fund.** This fund accounts for financial resources to be used for the activities associated with major capital improvements and equipment.

### **General Fund Budgetary Highlights**

Significant budget transfers made during the year were as follows:

- \$481,142 to public works operation and maintenance for increased expenditures for snow removal.
- \$112,511 to the fire department as a result of an increase in regular and overtime salary expenditures.

Management's Discussion and Analysis (continued)

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Significant departments that were underspent during the year were as follows:

- Public work operation and maintenance was under spent by \$227,686 due to the budgetary transfer noted above.
- Insurance was underspent by \$224,449 due to lower than expected premiums.
- Interest on bonds was underspent by \$188,124 due to the certificates of participation refunding during the year.

**Capital Assets and Debt Administration**

**Capital assets.** At June 30, 2014, the Borough of Naugatuck's capital assets totaled \$193,227,271, net of accumulated depreciation. This includes land, buildings, land improvements, machinery and equipment, roads, bridges and construction in progress. The increase in the Borough's capital assets for the current fiscal year was \$30,558,456 or 18.8%. This increase is largely due to an increase of construction in progress of \$32,069,110 for the high school renovation.

Other significant additions were as follows:

- \$1,581,964 for the Greenway project
- \$636,585 for the Maple Hill roof replacement
- \$374,100 for new roads contributed from developers

**Capital Assets  
(Net of Accumulated Depreciation)**

	<u>2014</u>	<u>2013</u>
Land	\$ 15,661,524	\$ 15,226,305
Construction in progress	45,566,665	11,608,948
Buildings and improvements	45,091,699	44,597,814
Machinery and equipment	6,371,043	6,665,133
Infrastructure	<u>80,536,340</u>	<u>84,570,615</u>
Total	<u>\$ 193,227,271</u>	<u>\$ 162,668,815</u>

Additional information on the Borough's capital assets can be found in Note III. C.

**Long-term debt.** At the end of the current fiscal year, the Borough had total debt outstanding of \$75,836,677. The increase of \$3,193,122 from prior year is due to the issuance of the current year debt as well as scheduled debt payments. All debt is backed by the full faith and credit of the Borough.

**Outstanding Debt  
Long - Term Obligations**

	2014	2013
General obligation bonds	\$ 6,670,000	\$ 7,595,000
General obligation bonds (taxable)	3,405,000	3,600,000
School bonds	12,730,000	2,920,000
Pension obligation bonds (taxable)	39,490,000	40,535,000
Notes payable	1,096,677	1,383,555
Certificates of participation (taxable)	2,000,000	
Certificates of participation	10,445,000	16,610,000
 Total	 \$ 75,836,677	 \$ 72,643,555

The Borough maintains an "AA" bond rating from Standard and Poor's and a "Aa2" rating from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees. The current debt limitation for the Borough is \$497,047,173, which is significantly in excess of the Borough's outstanding general obligation debt.

Additional information on the Borough's long-term debt can be found in Note III. F.

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

- The unemployment rate for the Borough is currently 7.2%, which is lower than fiscal year 2013. This is lower than both the state's average unemployment rate of 7.8% and the Hartford Labor Market rate of 8.6%. The Borough is above the national average of 6.1%.
- Inflationary trends in the region compare favorably to national indices.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the state receives from taxes. This will affect the amount of intergovernmental revenues the Borough will receive in fiscal year 2015 and thereafter.
- Residential construction decreased with 443 new building permits issued this year compared to 517 issued in 2013. Commercial permits increased from 38 in 2013 to 45 in 2014, but the value of the permits decreased from \$45,368,000 to \$2,211,000.
- Interest rates remain at historical lows and as a result investment income has been reduced.

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

**Requests for Information**

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the Borough's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Borough of Naugatuck, 229 Church Street, Naugatuck, CT 06770.

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# **Basic Financial Statements**

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Borough of Naugatuck, Connecticut

Statement of Net Position  
Governmental Activities  
June 30, 2014

Assets

Current assets:	
Cash	\$ 23,754,941
Investments	16,876,572
Receivables (net):	
Property taxes	3,736,654
Intergovernmental	1,003,124
Assessments	18,028
Loans	22,495
Other	1,804,960
Other assets	148,059
Total current assets	<u>47,364,833</u>
Noncurrent assets:	
Restricted assets:	
Temporarily restricted:	
Cash	334,460
Permanently restricted:	
Investments	101,318
Total restricted assets	<u>435,778</u>
Receivables (net):	
Property taxes	5,025,653
Loans	592,157
Total receivables (net)	<u>5,617,810</u>
Other noncurrent assets:	
Net pension asset	34,923,082
Capital assets (net of accumulated depreciation):	
Land	15,661,524
Construction in progress	45,566,665
Buildings and improvements	45,091,699
Machinery and equipment	6,371,043
Infrastructure	80,536,340
Total capital assets (net of accumulated depreciation)	<u>193,227,271</u>
Total noncurrent assets	<u>234,203,941</u>
Total assets	<u>281,568,774</u>

(Continued)

Borough of Naugatuck, Connecticut

Statement of Net Position  
Governmental Activities  
June 30, 2014

Liabilities

Liabilities:

Current liabilities:

Accounts payable	\$ 8,948,214
Accrued payroll	1,918,917
Performance bonds	317,119
Accrued interest payable	314,727
Unearned revenue	154,795
Bond anticipation notes	16,000,000
Bonds and notes payable	2,822,315
Certificates of participation	1,375,000
Capital leases payable	1,909,849
Compensated absences	909,013
Heart and hypertension	45,000
Other liabilities	313,759

Total current liabilities 35,028,708

Noncurrent liabilities:

Bonds, notes and related liability	60,859,677
Certificates of participation	11,070,000
Capital leases payable	12,010,692
Net OPEB obligation	55,676,100
Compensated absences	3,636,050

Total noncurrent liabilities 143,252,519

Total liabilities 178,281,227

Deferred Inflows of Resources

Deferred charge on refunding	980,016
Unavailable revenue - advance property tax collections	670,468

Total deferred inflows of resources 1,650,484

Net Position

Net investment in capital assets 129,094,722

Restricted for:

Endowments:

Nonexpendable	1,000
Expendable	116,659
Public safety	10,260
Public works	700,523
Other	53,098
Education	1,293,128

Unrestricted (29,632,327)

Total net position \$ 101,637,063

(Concluded)

Borough of Naugatuck, Connecticut

Statement of Activities  
 Governmental Activities  
 Year Ended June 30, 2014

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Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General government	\$ 10,332,621	\$ 564,709	\$ 6,500	\$	\$ (9,761,412)
Public safety	21,418,222	1,008,389	17,456		(20,392,377)
Public works	13,058,521	5,427,704		4,921,305	(2,709,512)
Health and welfare	4,299,282	1,416,938	182,605		(2,699,739)
Education	80,266,613	1,467,188	43,214,080	12,489,182	(23,096,163)
Interest expense	2,836,697				(2,836,697)
<b>Total</b>	<b>\$ 132,211,956</b>	<b>\$ 9,884,928</b>	<b>\$ 43,420,641</b>	<b>\$ 17,410,487</b>	<b>\$ (61,495,900)</b>
General revenues:					
Property taxes					\$ 72,459,074
Grants and contributions not restricted to specific programs					1,090,223
Investment income					165,135
Miscellaneous					566,703
Total general revenues					74,281,135
Change in net position					12,785,235
Net position - July 1, 2013					88,851,828
Net position - June 30, 2014					\$ 101,637,063

See Notes to Financial Statements.

Borough of Naugatuck, Connecticut

Balance Sheet  
Governmental Funds  
June 30, 2014

	General	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 17,701,150	\$ 407,664	\$ 2,670,463	\$ 2,349,746	\$ 23,129,023
Restricted cash	317,119				317,119
Investments	14,599,017		585,376	1,793,497	16,977,890
Receivables:					
Property taxes	11,437,144				11,437,144
Intergovernmental Assessments	356,918		334,405	311,801	1,003,124
Loans	18,028			625,203	625,203
Other	1,743,321		41,041	20,598	1,804,960
Due from other funds	1,088,392		3,464,369	2,479,964	7,032,725
Prepaid/other		114,512		33,547	148,059
<b>Total assets</b>	<b>\$ 47,261,089</b>	<b>\$ 522,176</b>	<b>\$ 7,095,654</b>	<b>\$ 7,614,356</b>	<b>\$ 62,493,275</b>
<u>Liabilities</u>					
Accounts payable	\$ 1,960,976	\$ 4,009,067	\$ 753,200	\$ 709,674	\$ 7,432,917
Accrued payroll and early retirement incentive	1,918,917				1,918,917
Due to other funds	15,378,580	141,455		946,937	16,466,972
Unearned revenue				154,795	154,795
Bond anticipation notes		16,000,000			16,000,000
Performance bonds	317,119				317,119
Other liabilities	313,759				313,759
<b>Total liabilities</b>	<b>19,889,351</b>	<b>20,150,522</b>	<b>753,200</b>	<b>1,811,406</b>	<b>42,604,479</b>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	11,437,144				11,437,144
Unavailable revenue - sewer assessments	18,028				18,028
Unavailable revenue - advance property tax collections	670,468				670,468
<b>Total deferred inflows of resources</b>	<b>12,125,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,125,640</b>
<u>Fund Balances</u>					
Nonspendable		114,512		659,750	774,262
Restricted				2,174,668	2,174,668
Committed			6,342,454	475,095	6,817,549
Assigned	1,617,727			2,493,437	4,111,164
Unassigned	13,628,371	(19,742,858)			(6,114,487)
<b>Total fund balances</b>	<b>15,246,098</b>	<b>(19,628,346)</b>	<b>6,342,454</b>	<b>5,802,950</b>	<b>7,763,156</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 47,261,089</b>	<b>\$ 522,176</b>	<b>\$ 7,095,654</b>	<b>\$ 7,614,356</b>	<b>\$ 62,493,275</b>

(Continued)

Borough of Naugatuck, Connecticut

Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
June 30, 2014

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

Total fund balance (Exhibit C, Page 1)	\$ 7,763,156
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	162,668,815
Current year additions (net of construction in progress)	36,889,954
Current year additions (donations)	374,100
Depreciation expense	(6,698,436)
Disposal of assets	(7,162)

Other long-term assets are not available resources and, therefore, are not reported in the funds:

Property tax interest and lien accrual	9,072,492
Allowance for doubtful accounts	(11,757,880)
Net pension asset	34,923,082

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

Property tax, sewer assessments and loan receivable - accrual basis change	11,455,172
--	------------

Internal service funds are used by management to charge the cost of dental insurance to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	8,562,209
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Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(63,391,677)
Premium	(290,315)
Certificates of participation	(12,445,000)
Capital leases	(13,920,541)
Net OPEB obligation	(55,676,100)
Compensated absences	(4,545,063)
Heart and hypertension	(45,000)
Deferred charge on refunding	(980,016)
Accrued interest payable	(314,727)

Net position of governmental activities	<u>\$ 101,637,063</u>
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(Concluded)

## Borough of Naugatuck, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014**

	General	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 71,270,654	\$	\$	\$	\$ 71,270,654
Intergovernmental	39,250,092	12,489,182	2,070,405	7,732,308	61,541,987
Charges for services	7,093,017		187,639	2,604,836	9,885,492
Income from investments	72,721	17,259	4,446	70,709	165,135
Contributions				5,264	5,264
Miscellaneous	99,364		32,503	434,836	566,703
<b>Total revenues</b>	<b>117,785,848</b>	<b>12,506,441</b>	<b>2,294,993</b>	<b>10,847,953</b>	<b>143,435,235</b>
Expenditures:					
Current:					
General government	3,175,887			151,097	3,326,984
Public safety	10,299,989			1,018,311	11,318,300
Public works	8,937,767			254,008	9,191,775
Health and welfare	2,123,844			115,297	2,239,141
Education	66,204,553			7,488,259	73,692,812
Nondepartmental	15,258,567				15,258,567
Debt service	6,694,794	292,414		808,013	7,795,221
Capital outlay		32,021,852	4,627,225	567,360	37,216,437
<b>Total expenditures</b>	<b>112,695,401</b>	<b>32,314,266</b>	<b>4,627,225</b>	<b>10,402,345</b>	<b>160,039,237</b>
Excess (deficiency) of revenues over expenditures	5,090,447	(19,807,825)	(2,332,232)	445,608	(16,604,002)
Other financing sources (uses):					
Capital leases				78,322	78,322
Payment to refunding bond escrow				(17,019,119)	(17,019,119)
Issuance of debt		10,000,000		12,445,000	22,445,000
Bond and BAN premiums		427,275		1,500,483	1,927,758
Sale of Borough capital assets	4,138				4,138
Transfers in	58,617		1,189,878	2,411,185	3,659,680
Transfers out	(3,601,063)			(58,617)	(3,659,680)
<b>Net other financing sources (uses)</b>	<b>(3,538,308)</b>	<b>10,427,275</b>	<b>1,189,878</b>	<b>(642,746)</b>	<b>7,436,099</b>
<b>Net change in fund balances</b>	<b>1,552,139</b>	<b>(9,380,550)</b>	<b>(1,142,354)</b>	<b>(197,138)</b>	<b>(9,167,903)</b>
Fund balances - July 1, 2013	13,693,959	(10,247,796)	7,484,808	6,000,088	16,931,059
<b>Fund balances - June 30, 2014</b>	<b>\$ 15,246,098</b>	<b>\$ (19,628,346)</b>	<b>\$ 6,342,454</b>	<b>\$ 5,802,950</b>	<b>\$ 7,763,156</b>

Borough of Naugatuck, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to Statement of Activities  
Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities  
(Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D) \$ (9,167,903)

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	36,889,954
Donated capital assets	374,100
Depreciation expense	<u>(6,698,436)</u>

Total 30,565,618

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations)  
is to increase net assets. In the statement of activities, only the *loss* on the sale of capital assets is reported.  
However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change  
in net position differs from the change in fund balance by the cost of the capital assets sold:

Disposal of capital assets	<u>(7,162)</u>
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Revenues in the statement of activities that do not provide current financial resources are not  
reported as revenues in the funds:

Change in property tax and sewer assessments - accrual basis change	685,231
Change in property tax interest and lien revenue	<u>502,625</u>

Total 1,187,856

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 position. Also, governmental funds report the effect  
of 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:

Debt issued or incurred:	
Issuance of general obligation bonds	(10,000,000)
Issuance of refunding certificates of participation	(12,445,000)
Premium	(290,315)
Deferred charge on refunding	(1,091,364)
Capital lease	(78,322)
Principal repayments:	
General obligation bonds	2,355,000
Refunding certificates of participation	16,610,000
Notes payable	286,878
Capital lease	<u>2,061,511</u>

Total (2,591,612)

(Continued)

Borough of Naugatuck, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to Statement of Activities  
Year Ended June 30, 2014

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:

Net OPEB obligation	\$ (8,730,700)
Heart and hypertension	45,000
Compensated absences	250,699
Net pension asset	186,673
Accrued interest payable	132,727
Amortization of deferred charges	<u>(14,552)</u>
Total	<u>(8,130,153)</u>
Internal Service Funds are used by management to charge costs of dental insurance to individual departments	<u>928,591</u>
Change in net position (Exhibit B)	<u>\$ 12,785,235</u>
	(Concluded)

## Borough of Naugatuck, Connecticut

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 70,137,882	\$ 70,137,882	\$ 71,270,654	\$ 1,132,772
Intergovernmental revenues	31,165,332	31,165,332	32,334,560	1,169,228
Charges for services	7,417,861	7,417,861	7,093,017	(324,844)
Income from investments	60,000	60,000	72,721	12,721
Miscellaneous	198,905	198,905	99,364	(99,541)
Total revenues	<u>108,979,980</u>	<u>108,979,980</u>	<u>110,870,316</u>	<u>1,890,336</u>
Expenditures:				
Current:				
General government	3,352,670	3,445,538	3,175,887	269,651
Public safety	10,288,363	10,384,169	10,299,989	84,180
Public works	8,946,221	9,252,793	8,937,767	315,026
Health and welfare	2,435,874	2,203,952	2,123,844	80,108
Nondepartmental	16,016,004	15,633,219	15,258,567	374,652
Education	59,478,771	59,478,771	59,289,021	189,750
Debt service	6,788,457	6,907,918	6,694,794	213,124
Total expenditures	<u>107,306,360</u>	<u>107,306,360</u>	<u>105,779,869</u>	<u>1,526,491</u>
Excess (deficiency) of revenues over expenditures	<u>1,673,620</u>	<u>1,673,620</u>	<u>5,090,447</u>	<u>3,416,827</u>
Other financing sources (uses):				
Appropriation of fund balance	935,752	935,752		(935,752)
Reserve fund closeout	160,000	160,000		(160,000)
Sale of Borough capital assets			4,138	4,138
Transfers in	831,691	831,691	58,617	(773,074)
Transfers out	<u>(3,601,063)</u>	<u>(3,601,063)</u>	<u>(3,601,063)</u>	<u>-</u>
Net other financing sources (uses)	<u>(1,673,620)</u>	<u>(1,673,620)</u>	<u>(3,538,308)</u>	<u>(1,864,688)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,552,139	<u>\$ 1,552,139</u>
Fund balance - July 1, 2013			<u>13,693,959</u>	
Fund balance - June 30, 2014			<u>\$ 15,246,098</u>	

Borough of Naugatuck, Connecticut

Statement of Net Position  
 Proprietary Funds  
 June 30, 2014

	<u>Internal Service Funds</u>
<u>Assets</u>	
Cash	\$ 643,259
Due from other funds	<u>8,041,128</u>
Total assets	<u>8,684,387</u>
<u>Liabilities</u>	
Accounts payable	30,720
Claims payable	<u>91,458</u>
Total liabilities	<u>122,178</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 8,562,209</u></u>

## Borough of Naugatuck, Connecticut

**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	Internal Service Funds
Operating revenues:	
Charges for services	\$ 2,072,658
Operating expenses:	
Claims	1,142,834
Administration	1,233
Total operating expenses	1,144,067
Change in net position	928,591
Net position - July 1, 2013	7,633,618
Net position - June 30, 2014	\$ 8,562,209

## Borough of Naugatuck, Connecticut

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received for charges for services	\$ 2,072,658
Cash paid for benefits and claims	(1,139,870)
Cash paid for administration	(1,233)
Cash receipts (payments) of interfund balances	<u>(461,235)</u>
Net cash provided by (used in) operating activities and net increase (decrease) in cash	470,320
Cash - July 1, 2013	<u>172,939</u>
Cash - June 30, 2014	<u><u>\$ 643,259</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ 928,591
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	(422,127)
Increase (decrease) in:	
Accounts payable	(39,108)
Claims payable	<u>2,964</u>
Net cash provided by (used in) operating activities	<u><u>\$ 470,320</u></u>

## Borough of Naugatuck, Connecticut

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Pension Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund	Private- Purpose Trust Fund	Agency Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Assets</u>				
Cash	\$	\$	\$	\$ 237,905
Investments:				
Certificates of deposit			66,347	126,875
Mutual funds:				
Money market	537,868	281,574		
Equity	91,169,554	3,064,530		
Diversified bonds	41,557,564	1,708,227		
	<u>133,264,986</u>	<u>5,054,331</u>	<u>66,347</u>	<u>126,875</u>
Total investments				
Due from other funds	<u>1,210,119</u>	<u>183,000</u>		
Total assets	<u>134,475,105</u>	<u>5,237,331</u>	<u>66,347</u>	<u>364,780</u>
<u>Liability</u>				
Accounts payable				<u>364,780</u>
<u>Net Position</u>				
Net position held in trust for pension and OPEB benefits and other purposes	<u>\$ 134,475,105</u>	<u>\$ 5,237,331</u>	<u>\$ 66,347</u>	<u>\$ -</u>

## Borough of Naugatuck, Connecticut

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2014**

	Pension Trust Fund	Other Post- Employment Benefit (OPEB) Trust Fund	Private- Purpose Trust Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Additions:			
Contributions:			
Employer	\$ 5,681,799	\$ 375,000	\$
Employees	836,593		
Other			17,154
	<u>6,518,392</u>	<u>375,000</u>	<u>17,154</u>
Total contributions			
Investment income (loss):			
Net change in fair value of investments	18,963,043		
Interest and dividends	2,020,235	636,406	296
	<u>20,983,278</u>	<u>636,406</u>	<u>296</u>
Total investment income (loss)			
Less investment expenses	147,177		
	<u>20,836,101</u>		
Net investment income (loss)			
Total additions	<u>27,354,493</u>	<u>1,011,406</u>	<u>17,450</u>
Deductions:			
Benefits	8,759,936	19,739	
Administration	65,593		
Other			133,005
Scholarships			18,037
	<u>8,825,529</u>	<u>19,739</u>	<u>151,042</u>
Total deductions			
Changes in net position	18,528,964	991,667	(133,592)
Net position - July 1, 2013	<u>115,946,141</u>	<u>4,245,664</u>	<u>199,939</u>
Net position - June 30, 2014	<u>\$ 134,475,105</u>	<u>\$ 5,237,331</u>	<u>\$ 66,347</u>

See Notes to Financial Statements.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014**History and organization**

The Borough operates under a Charter which became effective in 1893 and was revised in November 1994. The form of government includes an elected mayor and an eight-member Burgesses, which constitutes the Board of Mayor and Burgesses. The Borough also has an elected six-member Board of Education. The Finance board is comprised of nine residents and three alternates who are appointed by the Board of Mayor and Burgesses.

The Borough provides the following public services as authorized by its charter: public safety, public works, health and welfare, recreation and parks and education.

**I. Summary of significant accounting policies****A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Borough. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

**B. 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. Agency funds have no measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

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 Borough considers reimbursement grants to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers 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 by the Borough.

The Borough reports the following major governmental funds:

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

The *NHS Reconstruction and Renovation Fund* is used to account for the reconstruction and renovation of the high school.

The *Capital and Nonrecurring Fund* is used to account for activities associated with major capital improvements and equipment.

Additionally, the Borough reports the following fund types:

The *Internal Service Funds* account for risk financing activities for dental insurance benefits.

The *Pension Trust Fund* accounts for the activities of the Naugatuck Employee Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Other Post-Employment Trust Fund* accounts for the activities of the Naugatuck Other Post-Employment Benefit Plan, which accumulates resources for retiree medical payments to qualified employees.

The *Private-Purpose Trust Fund* accounts for resources legally held in trust for student scholarships. All resources of the fund, including any earnings, may not be used to support Borough activities.

The *Agency Funds* account for monies held on behalf of students.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Borough functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

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 all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's internal service funds are charges to Borough Departments for various types of self-insurance. Operating expenses for the internal service funds include the cost of insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity****1. Deposits and investments**

Deposits - The Borough considers cash and cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Borough to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital and nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Method to value investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments was invested in a 2a-7 like pool, which operates under State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

The Borough's pension plan investment policy targets are 50% domestic equities, 15% international equities, 20% fixed income, 10% real estate equities, and 5% high yield.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014**2. Receivables and payables****a. Interfunds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**b. Property taxes and other receivables**

In the government-wide financial statements, property tax and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2% to 74% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, property tax revenues are recognized when they become available. Only taxes collected during the fiscal year have been recorded as revenue. All property taxes receivable, which have not been collected at June 30, have been recorded as deferred inflow of resources, since they are not considered to be available to finance expenditures of the current fiscal year.

Loans receivable consist of Community Development Block Grant loans. The Borough provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

**3. Restricted assets**

The restricted assets for the Borough are restricted for performance bonds and endowment purposes. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of contract or the Borough calls the bond for nonperformance. The endowment's trust agreement restricts the expenditure of the investment income only for the designated purpose.

**4. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, 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.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Machinery and equipment	5-20
Infrastructure	10-65

**5. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough does not currently report any items in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough reports the deferred charge on refunding in this category in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

For governmental funds, the Borough reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any) and sewer assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. Net position flow assumption**

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. Compensated absences**

The Borough allows employees to accumulate earned but unused vacation and sick pay benefits. The rate that these benefits are earned and accumulate varies by bargaining unit. Upon severance from employment with the Borough, employees are paid by a prescribed formula for these accrued absences. All compensated absences are accrued when incurred in the government-wide financial statements. 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.

Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal year end.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014**8. Long-term obligations**

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

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

**9. Fund equity and net position**

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Borough which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Borough. Commitments may be established, modified or rescinded only through resolutions approved by Board of Mayor and Burgesses or referendum.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by the Board of Mayor and Burgesses or by the issuance of a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Borough considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Borough considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless Board of Mayor and Burgesses has provided otherwise in its commitment or assignment actions.

The Board of Mayor and Burgesses adopted a minimum fund balance policy for the General Fund. The policy requires the Borough to strive to maintain an unassigned general fund balance of not less than 8% nor more than 12% of current year budgeted general fund operating expenditures.

**10. Use of estimates**

The preparation of the 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 including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

**11. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014**II. Stewardship, compliance and accountability****A. Budgets and budgetary accounting**

The Borough adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

- Not later than 15 days before the end of the fiscal period, the Board of Finance and Board of Mayor and Burgesses hold a public hearing on the proposed operating budget.
- Not later than 5 days following the public hearing at a joint meeting of the Board of Finance and Board of Mayor and Burgesses, the adjusted budget is legally adopted.
- The Board of Finance is authorized to transfer budgeted amounts within departments.
- The Board of Finance is also authorized to approve additional appropriations up to \$2,000. Amounts over \$2,000 must be approved jointly by the Board of Finance and Board of Mayor and Burgesses with a 2/3 vote.

There were no additional appropriations approved during the fiscal year.

- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Additionally, as required by the charter, these transfers must be reported to the Board of Mayor and Burgesses. Any additional appropriations must have Board of Education and Board of Mayor and Burgesses approval.
- 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 (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds and those specifically reappropriated by the Board of Mayor and Burgesses.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

**B. Budget - GAAP reconciliation**

A reconciliation of revenues and expenditures between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Balance, budgetary basis, Exhibit F	\$ 110,870,316	\$ 105,779,869
State Teachers' Retirement on-behalf payment	<u>6,915,532</u>	<u>6,915,532</u>
Balance, GAAP basis, Exhibit D	<u>\$ 117,785,848</u>	<u>\$ 112,695,401</u>

**C. Capital projects authorizations**

The following is a summary of Capital Projects at June 30, 2014:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Maple St. bridge renovation	\$ 2,000,000	\$	\$ 2,000,000
Naugatuck treatment plant	31,750,000	23,866,339	7,883,661
5-year capital project	6,326,900	6,685,581	(358,681)
Naugatuck High School reconstruction & renovation	81,000,000	42,427,068	38,572,932
Capital Lease	3,000,000	2,585,000	415,000
Naugatuck High School cafeteria renovation	2,900,000	2,791,991	108,009
2 <sup>nd</sup> 5-Year capital project	7,183,560	6,370,974	812,586
Naugatuck High School solar roof	6,233,564	6,216,680	16,884
Improvement police station	345,000	341,789	3,211
Reclamation account	2,000,000	1,128,273	871,727
Renaissane Place downtown phase I	500,000	2,567	497,433
Oak Terrace small cities	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Totals	<u>\$ 143,739,024</u>	<u>\$ 92,916,262</u>	<u>\$ 50,822,762</u>

**D. Donor-restricted endowments**

The Borough has received certain endowments for the maintenance of the grounds at the Hillside Middle School (formally the high school). The amounts are reflected in net position as restricted for this purpose (education). Investment income is approved for expenditure by the Superintendent of Schools.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

The Borough allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

At June 30, 2014, there is no appreciation available for appropriation.

III. Detailed notes

A. Cash and investments

Deposits - Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$29,483,676 of the Borough's bank balance of \$32,706,360 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 26,260,308
Uninsured and collateral held by the pledging bank's trust department, not in the Borough's name	<u>3,223,368</u>
Total amount subject to custodial credit risk	<u>\$ 29,483,676</u>

Financial instruments that potentially subject the Borough to significant concentrations of credit risk consist primarily of cash. From time to time, the Borough's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Borough reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

At June 30, 2014, the Borough's investments (including restricted investments) consisted of the following:

Type of Investment	Fair Value	Investment Maturities (In Years)			
		N/A	Less Than 1	1-5 Years	5-10 Years
Mutual funds and ETF's:					
Equity mutual funds	\$ 94,234,084	\$ 94,234,084	\$	\$	\$
Diversified bond fund	43,265,791			2,950,442	40,315,349
Money market	819,442		819,442		
Certificates of deposit	7,797,754		7,797,754		
Pooled fixed income	9,373,358		9,373,358		
Total	\$155,490,429	\$ 94,234,084	\$17,990,554	\$ 2,950,442	\$40,315,349

Interest rate risk - To minimize interest rate risk, the Borough's policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in shorter-term securities, money market funds or similar investment pools.

Credit risk - The Borough's policy states credit risk will be minimized by limiting investments to the safest types of securities and pre-qualifying the financial institutions and advisors with which the Borough will do business. The investment portfolio must be diversified so that potential losses on individual securities will be minimized.

The Borough's investments subject to credit risk have average ratings by Standard & Poor's as follows:

Ratings	Mutual Funds			Pooled Fixed Income
	Diversified Bond	Money Market		
AAA	\$ 7,409,877	\$		\$ 9,373,358
AA	2,253,955			
A	21,006,249			
BBB	2,360,920			
BB	2,733,696			
Unrated	7,501,094	819,442		
Total	\$ 43,265,791	\$ 819,442		\$ 9,373,358

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2104

Custodial credit risk - The Borough does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The Borough has no investments that are subject to custodial credit risk.

**B. Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Borough's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2014, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes			CDBG Loans
	Taxes	Interest & Liens	Total	
Current portion	\$ 2,493,298	\$ 1,243,356	\$ 3,736,654	\$ 22,495
Long-term portion	\$ 8,943,846	\$ 7,829,136	\$ 16,772,982	\$ 602,708
Less allowance for uncollectibles	(5,035,312)	(6,712,017)	(11,747,329)	(10,551)
Net long-term portion	\$ 3,908,534	\$ 1,117,119	\$ 5,025,653	\$ 592,157

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

C. Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<u>Capital assets, not being depreciated:</u>				
Land	\$ 15,226,305	\$ 435,219	\$	\$ 15,661,524
Construction in progress	12,485,650	33,081,015		45,566,665
Total capital assets, not being depreciated	<u>27,711,955</u>	<u>33,516,234</u>	-	<u>61,228,189</u>
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	77,414,717	1,768,177		79,182,894
Machinery and equipment	17,468,679	808,524	153,554	18,123,649
Infrastructure	183,486,603	1,171,119		184,657,722
Total capital assets, being depreciated	<u>278,369,999</u>	<u>3,747,820</u>	<u>153,554</u>	<u>281,964,265</u>
Total capital assets	<u>306,081,954</u>	<u>37,264,054</u>	<u>153,554</u>	<u>343,192,454</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	32,816,903	1,274,292		34,091,195
Machinery and equipment	10,803,546	1,095,452	146,392	11,752,606
Infrastructure	99,792,690	4,328,692		104,121,382
Total accumulated depreciation	<u>143,413,139</u>	<u>6,698,436</u>	<u>146,392</u>	<u>149,965,183</u>
Total capital assets, being depreciated, net	<u>134,956,860</u>	<u>(2,950,616)</u>	<u>7,162</u>	<u>131,999,082</u>
Capital assets, net	<u>\$ 162,668,815</u>	<u>\$ 30,565,618</u>	<u>\$ 7,162</u>	<u>\$ 193,227,271</u>

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

General government	\$ 4,168,285
Education	1,367,384
Public safety	345,387
Health and welfare	537,060
Public works	<u>280,320</u>
Total depreciation expense	<u>\$ 6,698,436</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

**Construction commitments**

The Borough has the following construction commitments at June 30, 2014:

NHS Reconstruction and Renovation	\$ 31,725,716
Security Upgrades	<u>477,378</u>
Total	<u>\$ 32,203,094</u>

**D. Interfund accounts**

**1. Interfund payables and receivables**

A summary of interfund balances as of June 30, 2014 is as follows:

<u>Major funds:</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Capital nonrecurring fund	N/A	\$	\$ 3,464,369
Town aid road	N/A		772,434
Special education grants	N/A	820,576	
Dog fund	N/A		142,649
Pension trust fund	N/A		1,210,119
Private duty service	N/A		19,469
Other post-employment benefit trust	N/A		183,000
NHS reconstruction and renovation	N/A	141,455	
Community fund	N/A		1,107
Board of Education self insurance	N/A		6,468,758
Cafeteria fund	N/A	126,361	
General government self insurance	N/A		1,572,370
Debt service fund	N/A		1,227,631
Consolidation fund	N/A		<u>316,674</u>
Total general fund		<u>1,088,392</u>	<u>15,378,580</u>
Capital projects funds:			
NHS reconstruction and renovation	General Fund	<u>-</u>	141,455
Capital nonrecurring fund	General Fund	<u>3,464,369</u>	-

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

	Corresponding <u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>Nonmajor governmental funds:</u>			
Special revenue funds:			
Town aid road	General Fund	\$ 772,434	\$
Dog fund	General Fund	142,649	
Private duty service	General Fund	19,469	
Community fund	General Fund	1,107	
Consolidation fund	General Fund	316,674	
School cafeteria	General Fund		126,361
Special education grants	General Fund		<u>820,576</u>
Total special revenue funds		1,252,333	946,937
Debt service funds:			
General fund	N/A	<u>1,227,631</u>	
Total nonmajor governmental funds		<u>2,479,964</u>	<u>946,937</u>
Internal service funds:			
General government self insurance	General Fund	1,572,370	
Board of Education self insurance	General Fund	<u>6,468,758</u>	
Total internal service funds		<u>8,041,128</u>	-
Fiduciary funds:			
Pension trust fund	General Fund	1,210,119	
Other post-employment benefit trust fund	General Fund	<u>183,000</u>	
Total fiduciary funds		<u>1,393,119</u>	-
Grand total		<u>\$ 16,466,972</u>	<u>\$ 16,466,972</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

2. Interfund transfers

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
<u>Major funds:</u>			
General fund:			
Dog fund	N/A	\$ 58,571	\$ 80,008
Private duty service	N/A	44	
CRRA	N/A	2	
Public safety	N/A		2,331,177
Debt service fund	N/A		1,189,878
Capital nonrecurring fund	N/A		
Total general fund		<u>58,617</u>	<u>3,601,063</u>
Capital nonrecurring fund	General Fund	<u>1,189,878</u>	
<u>Nonmajor funds:</u>			
Special revenue funds:			
Dog fund	General Fund	80,008	
Private duty service	General Fund		58,571
CRRA	General Fund		44
Public safety	General Fund		2
Total special revenue funds		<u>80,008</u>	<u>58,617</u>
Debt service fund	General Fund	<u>2,331,177</u>	
Total nonmajor funds		<u>2,411,185</u>	<u>58,617</u>
Grand total		<u>\$ 3,659,680</u>	<u>\$ 3,659,680</u>

Transfers are used to account for the financing by the general fund of various programs and activities in other funds.

E. Short-term obligations - bond anticipation notes

The Borough uses bond anticipation notes (BANs) during the construction period of various projects prior to the issuance of the bonds at the completion of the project.

Short-term activity for the year ended June 30, 2014 was as follows:

Project	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
NHS Reconstruction and Renovation	\$ 26,000,000	\$ 16,000,000	\$ 26,000,000	\$ 16,000,000

The BANs carry an interest rate of 1.00% and mature in March 2015.

In March 2015, the Borough reissued bond anticipation notes in the amount of \$16,000,000 with a coupon rate of 1% and a true interest cost of .1048% maturing in September 2015.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

## F. Changes in long-term obligations

## 1. Summary of changes

The following is a summary of changes in long-term obligations during the fiscal year:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2013	Additions	Reductions	Refunded	Balance June 30, 2014	Current Portion
<b>Bonds:</b>										
<b>General purpose:</b>										
Refunding bonds	\$ 2,570,000	08/10/10	08/01/30	2.00%-4.00%	\$ 2,145,000	\$	\$ 395,000	\$	\$ 1,750,000	\$ 410,000
5 year capital project	5,785,000	06/01/06	06/1/26	4.80%-6.00%	3,600,000		300,000		3,300,000	300,000
Loss reserve (taxable)	4,560,000	06/01/06	06/01/26	5.43%-5.93%	3,600,000		195,000		3,405,000	205,000
5 year capital project	4,200,000	07/15/02	02/15/21	5.875%	1,850,000		230,000		1,620,000	230,000
<b>Total general purpose</b>					<b>11,195,000</b>	<b>-</b>	<b>1,120,000</b>	<b>-</b>	<b>10,075,000</b>	<b>1,145,000</b>
<b>School bonds:</b>										
NHS addition & renovation	10,000,000	03/18/14	03/15/34	2.00%-5.0%		10,000,000			10,000,000	
NHS solar roof	2,715,000	08/10/10	8/01/30	2.00%-4.00%	2,570,000		145,000		2,425,000	145,000
NHS cafeteria project	800,000	07/15/02	02/15/21	5.875%	350,000		45,000		305,000	45,000
<b>Total school bonds</b>					<b>2,920,000</b>	<b>10,000,000</b>	<b>190,000</b>	<b>-</b>	<b>12,730,000</b>	<b>190,000</b>
<b>Pension deficit bonds (taxable):</b>										
2013 GOB (partial refunding 2004 POB) (taxable)	6,435,000	06/25/13	06/30/18	2.30%	6,435,000		1,045,000		5,390,000	1,200,000
2003 pension obligation (taxable)	49,265,000	10/23/03	06/01/33	1.35%-5.91%	34,100,000				34,100,000	
<b>Total pension deficit bonds</b>					<b>40,535,000</b>	<b>-</b>	<b>1,045,000</b>	<b>-</b>	<b>39,490,000</b>	<b>1,200,000</b>
<b>Total bonds</b>					<b>54,650,000</b>	<b>10,000,000</b>	<b>2,355,000</b>	<b>-</b>	<b>62,295,000</b>	<b>2,535,000</b>
<b>Notes:</b>										
<b>General purpose:</b>										
Andrew Avenue Mtn. Property	750,000	07/02/12	07/02/16	0.00%	600,000		150,000		450,000	150,000
<b>Clean water fund:</b>										
CWF 175-CSL	472,000	06/30/08	06/30/27	2.00%	346,375		21,657		324,718	22,094
CWF 184-CD1	566,969	04/30/00	04/30/18	2.00%	151,540		31,353		120,187	31,353
CWF 184-C	480,131	10/30/98	04/30/18	2.00%	116,033		24,007		92,026	24,007
CWF 184-CTP	1,197,223	04/22/96	04/30/18	2.00%	169,607		59,861		109,746	59,861
<b>Total clean water fund notes</b>					<b>783,555</b>	<b>-</b>	<b>136,878</b>	<b>-</b>	<b>646,677</b>	<b>137,315</b>
<b>Total notes</b>					<b>1,383,555</b>	<b>-</b>	<b>286,878</b>	<b>-</b>	<b>1,096,677</b>	<b>287,315</b>
<b>Total bonds/notes</b>					<b>56,033,555</b>	<b>10,000,000</b>	<b>2,641,878</b>	<b>-</b>	<b>63,391,677</b>	<b>2,822,315</b>
<b>Premium</b>						<b>290,315</b>			<b>290,315</b>	
<b>Total bonds/notes and related liabilities</b>					<b>56,033,555</b>	<b>10,290,315</b>	<b>2,641,878</b>	<b>-</b>	<b>63,681,992</b>	<b>2,822,315</b>
<b>Certificates of participation:</b>										
Wastewater	1,490,000	05/05/14	06/30/22	2.00-5.00%	16,610,000	1,490,000		16,610,000	1,490,000	165,000
Incinerator A (Tax Exempt)	10,545,000	05/05/14	06/30/22	5.00%		10,545,000			10,545,000	800,000
Incinerator B	410,000	05/05/14	06/15/15	.85%		410,000			410,000	410,000
<b>Total certificates of participation</b>					<b>16,610,000</b>	<b>12,445,000</b>	<b>-</b>	<b>16,610,000</b>	<b>12,445,000</b>	<b>1,375,000</b>
<b>Capital lease obligations</b>					<b>15,903,730</b>	<b>78,322</b>	<b>2,061,511</b>		<b>13,920,541</b>	<b>1,909,849</b>
<b>Net OPEB obligation</b>					<b>46,945,400</b>	<b>13,811,000</b>	<b>5,080,300</b>		<b>55,676,100</b>	
<b>Compensated absences</b>					<b>4,795,762</b>	<b>1,364,210</b>	<b>1,614,909</b>		<b>4,545,063</b>	<b>909,013</b>
<b>Heart and hypertension</b>					<b>90,000</b>		<b>45,000</b>		<b>45,000</b>	<b>45,000</b>
<b>Total long-term obligations</b>					<b>\$ 140,378,447</b>	<b>\$ 37,988,847</b>	<b>\$ 11,443,598</b>	<b>\$ 16,610,000</b>	<b>\$ 150,313,696</b>	<b>\$ 7,061,177</b>

**Borough of Naugatuck, Connecticut**

**Notes to Financial Statements  
June 30, 2014**

The following is a summary of bond and note maturities:

<u>Fiscal Year Ended June 30,</u>	<u>Notes Principal</u>	<u>Bond Principal</u>	<u>Certificates of Participation</u>	<u>Total Interest</u>
2015	\$ 287,315	\$ 2,535,000	\$ 1,375,000	\$ 3,369,681
2016	277,784	2,955,000	1,505,000	3,524,505
2017	228,355	3,335,000	1,580,000	3,381,872
2018	69,591	3,380,000	1,630,000	3,197,060
2019	23,933	2,995,000	1,705,000	3,009,727
2020	24,416	3,095,000	1,795,000	2,772,163
2021	24,909	3,185,000	1,720,000	2,513,860
2022	25,411	3,025,000	1,135,000	2,259,380
2023	25,924	3,145,000		2,038,926
2024	26,448	3,270,000		1,862,799
2025	26,981	3,405,000		1,693,712
2026	27,527	3,550,000		1,517,532
2027	28,083	3,000,000		1,331,479
2028		3,135,000		1,172,337
2029		3,280,000		1,004,932
2030		3,435,000		826,410
2031		3,600,000		638,203
2032		3,630,000		440,945
2033		3,815,000		236,439
2034		525,000		
	<u>\$ 1,096,677</u>	<u>\$62,295,000</u>	<u>\$12,445,000</u>	<u>\$36,791,962</u>

All long-term liabilities listed above after bonds and notes are generally liquidated by the General Fund.

**2. Statutory debt limitations**

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 159,765,163	\$10,525,000	\$ 149,240,163
Schools	319,530,326	28,730,000	290,800,326
Sewers	266,275,271	13,091,677	253,183,594
Urban renewal	230,771,902		230,771,902
Pension deficit	213,020,217	39,490,000	173,530,217

The total overall statutory debt limit for the Borough is equal to seven times annual receipts from taxation, \$497,047,173.

**Borough of Naugatuck, Connecticut**

**Notes to Financial Statements  
June 30, 2104**

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

**3. Authorized/unissued bonds**

The amount of authorized, unissued bonds for general purposes at June 30, 2014 is as follows:

<u>Purpose of Bonds</u>	<u>Authorized but Unissued</u>
Refunding bonds	\$ 2,470,000
High school roof	3,518,564
High school cafeteria	1,800,000
Capital projects	2,126,900
NHS reconstruction and renovation	71,000,000
Refunding bonds	165,000
Maple Hill bridge	2,000,000
Certificates of participation	3,055,000
Pension obligation	<u>1,735,000</u>
 Total	 <u>\$ 87,870,464</u>

**4. Current year advance refunding - certificates of participation**

In May 2014, the Borough issued \$12,445,000 of certificates of participation with an average interest rate of 4.92%. These refunding certificates of participation were issued to advance refund and defease certificates of participations issued in August 2002. The refunding resulted in an economic gain of \$1,697,148 with a total savings of \$1,769,441.

**5. Prior year advance refunding**

In prior years, the Borough defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the Borough's financial statements. At June 30, 2014, \$300,000 of bonds outstanding are considered defeased.

**6. Capital leases**

At June 30, 2014, the Borough is committed under capital leases for various types of office and public safety equipment, computers, vehicles and building improvements. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Capital assets totaling \$9,366,666, net of accumulated depreciation of \$2,719,080, are recorded under the capital lease as of June 30, 2014. This year, \$701,762 was included in depreciation expense.

**Borough of Naugatuck, Connecticut**

**Notes to Financial Statements  
June 30, 2104**

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments as of June 30, 2014:

Year Ending <u>June 30,</u>	
2015	\$ 2,316,469
2016	2,206,508
2017	1,922,646
2018	1,724,744
2019	1,662,402
2020	1,703,370
2021	1,492,160
2022	1,537,089
2023	<u>1,384,933</u>
	15,950,321
Less amount representing interest	<u>(2,029,780)</u>
Present value of minimum lease payments	<u>\$ 13,920,541</u>

**G. Restricted net assets**

The amount of restricted net assets, which were restricted by enabling legislation, totaled \$268,644 at June 30, 2014.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

H. Fund balance classifications

Fund Balance Component	General Fund	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Nonmajor Funds	Total
<b><u>Nonspendable:</u></b>					
Community development loans	\$	\$	\$	\$ 625,203	\$ 625,203
Prepaid expenses		114,512			114,512
Other				33,547	33,547
Trust fund principal				1,000	1,000
<b>Total nonspendable</b>	<b>-</b>	<b>114,512</b>	<b>-</b>	<b>659,750</b>	<b>774,262</b>
<b><u>Restricted:</u></b>					
Public safety:					
Police				10,260	10,260
Public works:					
Road projects				630,586	630,586
Other				69,937	69,937
Health and welfare:					
Community development programs				45,901	45,901
Youth services programs				7,197	7,197
Education:					
Food services program				92,810	92,810
School repairs and maintenance				117,659	117,659
Various education programs				1,200,318	1,200,318
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,174,668</b>	<b>2,174,668</b>
<b><u>Committed:</u></b>					
Police private duty				186,883	186,883
Park and recreation programs				142,504	142,504
Education programs				3,421	3,421
School repairs and maintenance				142,287	142,287
Construction contracts			6,342,454		6,342,454
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>6,342,454</b>	<b>475,095</b>	<b>6,817,549</b>
<b><u>Assigned:</u></b>					
Subsequent years budget	1,617,727				1,617,727
Debt service				2,493,437	2,493,437
<b>Total assigned</b>	<b>1,617,727</b>	<b>-</b>	<b>-</b>	<b>2,493,437</b>	<b>4,111,164</b>
<b><u>Unassigned</u></b>	<b>13,628,371</b>	<b>(19,742,858)</b>			<b>(6,114,487)</b>
<b>Total</b>	<b>\$ 15,246,098</b>	<b>\$ (19,628,346)</b>	<b>\$ 6,342,454</b>	<b>\$ 5,802,950</b>	<b>\$ 7,763,156</b>

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

IV. Other information

A. Risk management

The Borough is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Borough purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Borough utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for medical and dental claims. The fund records all claim expenses and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. In addition, the fund records contributions for benefits for the Board of Education retirees.

The Borough and Board of Education are charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Borough's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

The following is a summary of changes in the claims liabilities:

	Total Claims Payable <u>July 1</u>	Current Year Claims and Change in <u>Estimates</u>	Claims <u>Paid</u>	Total Claims Payable <u>June 30</u>
2012-2013	\$ 114,111	\$ 973,437	\$ 999,054	\$ 88,494
2013-2014	88,494	1,142,834	1,139,870	91,458

B. Commitments and litigation

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Borough expects such amounts, if any, to be immaterial.

The Borough is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable. In the opinion of the Borough attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Borough.

**Borough of Naugatuck, Connecticut**

**Notes to Financial Statements  
June 30, 2014**

**C. Pension plans**

**1. Plan description**

**Plan administration**

The Borough administers two single-employer defined benefit plans: the Employee's Pension Fund and the Firemen's Pension Fund that provide pension benefits for eligible employees of the Borough. The pension plans grant the authority to establish and amend the benefit terms to the Board of Mayor and Burgesses. The plans are considered to be a part of the Borough's financial reporting entity and are included in the Borough's financial statements as a pension trust fund. The plans do not issue stand-alone financial statements.

Management of the plans is vested in the Pension Board, which consists of one member from the Board of Mayor and Burgesses, one member from the Board of Finance, one member from the Board of Education, and three electors from the Borough of Naugatuck. The Comptroller of the Borough and/or the Chief Personnel Officer shall be advisory members of the Pension Board, without vote.

**Plan membership**

At July 1, 2012, pension plan membership consisted of the following:

	<u>Firemen</u>	<u>Employee</u>
Retirees and beneficiaries currently receiving benefits	34	392
Current plan members	40	415
Inactive with vested benefits	<u>1</u>	<u>48</u>
Total	<u>75</u>	<u>855</u>

The plans were closed to employees hired after January 2010. At that time, employees became eligible for participation in one of the Borough's defined contribution plans.

**2. Benefit provisions**

**Firemen's Pension Fund**

The plan provides retirement, disability and death benefits for all Fire Department employees working more than 20 hours a week. All employees are 100% vested after 10 years of continuous service. Employees who retire at normal retirement, the earlier of age 55 with 10 years of service or 20 years of service, are entitled to receive a retirement benefit. Retirement benefits for firemen are calculated at a maximum of 75% of the eligible participant's average gross pay earned by the participant in the three calendar years during which the participant earned his highest gross pay excluding private duty, uniform allowance, and tuition reimbursement. Overtime pay is included in the calculation of benefits, capped at 60%.

**Borough of Naugatuck, Connecticut****Notes to Financial Statements****June 30, 2014**

All plan members with ten or more years of service, who have contributed to the plan for ten or more years, and become unable to perform the duties as a firefighter, are eligible for disability benefits. The benefit is limited to  $\frac{1}{2}$  of the average monthly pay received during the three calendar years that they earned their highest gross pay. Death benefits, whether prior to or subsequent to retirement, are equal to  $\frac{1}{2}$  of the pension benefits that are being paid or would have been paid to the participant if he had retired in accordance with the terms of the pension fund.

A member who terminates employment prior to normal retirement shall be paid a benefit equal to 2% of the highest three year average salary multiplied by years of credited service.

Members shall receive cost of living adjustments ("COLA") of 1.125% to 2.25% annually.

**Employee's Pension Fund**

The Borough of Naugatuck Employee Retirement Plan covers all employees working more than 20 hours a week, except teachers covered under the State of Connecticut Teachers' Retirement System and Fire Department employees. All employees are 100% vested after 10 years of continuous service. Employees who retire at normal retirement (for police the earlier of age 55 with 10 years of service or 20 years of service, for all others age 60 with 15 years service) are entitled to receive a retirement benefit. Retirement benefits are paid to police officers based upon a formula that combines age and years of service. The benefit is calculated based upon a percentage of average three highest year gross pay up to a maximum of 75%. For Local 1303-50 and nonunion participants, benefits are paid to employees based upon a formula that combines age and years of service. The benefit is calculated based upon a percentage of average three highest year gross pay up to a maximum of 60%. Finally, for all other employees, benefits are calculated based upon benefit percentages ranging from 1.66% to 1.75% times the number of years of service up to a maximum of 65% or 75% of final average earnings.

Disability benefits are limited to one-half of the employee's covered earnings to a maximum of \$5,000 per month. Death benefits, whether prior to or subsequent to retirement, are equal to one-half of the pension benefits that are being paid or would have been paid to the participant if he had retired in accordance with the terms of the pension fund.

A member who terminates employment prior to normal retirement, and who does not elect a refund of his contributions with interest credited thereon, shall be vested in his accrued pension benefit payable at normal retirement date. A member who elects to refund contributions with interest credited shall forfeit all rights to benefits under the plan.

Cost of living increases for employees other than police department retirees are provided on an ad hoc basis by formal action of the Borough Retirement Board. For police officers who retired after April 1992, the cost of living increase is based upon 25% of the active employee's increase in pay, with a maximum of 100% of final average earnings. For actuarial purposes, an average cost of living adjustment percentage is used.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014**3. Contributions****Firemen's Pension Fund**

Firemen are required to contribute 8% of their earnings in 2014 based upon union contract.

The Borough is required to contribute the amount determined by the actuary, considering the member contributions.

For the year ended June 30, 2014, the average active member contribution rate was 8.0% of annual base compensation, and the Borough's average contribution rate was 30.05% of annual payroll.

**Employee's Pension Fund**

Police employees contribute 8% of earnings; all other employees are required to contribute 3% to 4% of earnings to the plan, based upon the bargaining group.

The Borough is required to contribute the amount determined by the actuary, considering the member contributions.

For the year ended June 30, 2014, the average active member contribution rate was 5.0% of annual base compensation, and the Borough's average contribution rate was 24.85% of annual payroll.

**4. Investments**

*Investment policy.* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Borough's Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equities	50%
International equities	15%
Fixed income	20%
Real estate equities	10%
High yield	<u>5%</u>
Total	<u>100%</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

**5. Concentrations**

There were no investments in any one organization that represents 5% or more of the pension plan's net position.

**6. Rate of return**

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.80% for the Firemen's Pension Fund and 17.79% for the Employee's Pension Fund. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**7. Net pension liability**

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

	<u>Firemen</u>	<u>Employee</u>
Total pension liability	\$ 33,142,086	\$ 115,641,589
Plan fiduciary net position	<u>(34,466,287)</u>	<u>(100,008,818)</u>
Net pension liability (asset)	<u>\$ (1,324,201)</u>	<u>\$ 15,632,771</u>
Plan fiduciary net position as percentage of the total pension liability	<u>104.00%</u>	<u>86.48%</u>

**8. Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Firemen</u>	<u>Employee</u>
<b>GASB 67</b>		
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair value	Fair value
Assumed average post-retirement increases	1.125% - 2.25%	1.125%
Amortization method	Level dollar	Level dollar
Inflation	2.25%	2.25%
Salary increase	4.50%	4.50%
Investment rate of return	8.00%	8.00%
Mortality rates	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA.	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA.

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Firemen</u>	<u>Employee</u>
	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Short-Term Fixed Income	0.25%	0.25%
Core Fixed Income	1.00%	1.00%
Large Cap	5.25%	5.25%
International Equity	6.50%	5.50%
REITS	4.25%	4.25%
Commodities	2.60%	2.60%

**9. Discount rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Borough contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

**10. Sensitivity of the net pension liability to changes in the discount rate**

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

Firemen

	1% Decrease <u>(7.00%)</u>	Current Discount <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Net pension liability (asset)	\$ 2,600,572	\$ (1,324,201)	\$ (4,641,066)

Employee

	1% Decrease <u>(7.00%)</u>	Current Discount <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Net pension liability (asset)	\$ 28,441,119	\$ 15,632,771	\$ 6,030,356

**11. Funded status and funding progress**

The total pension liability was determined by an actuarial valuation as of July 1, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Firemen</u>	<u>Employee</u>
<b>GASB 27</b>		
Actuarial cost method	Projected unit credit	Projected unit credit
Asset valuation method	5 year smoothing	5 year smoothing
Assumed average post-retirement increases	1.125% - 2.25%	1.125%
Amortization method	Level dollar	Level dollar
Remaining amortization period	21 years	21 years
Inflation	2.25%	2.25%
Salary increase	4.50%	4.50%
Investment rate of return	8.00%	8.00%

The actuarial accrued liability is determined under the Projected Unit Credit method. Under this method, actuarial gains and losses are identified each year and are automatically included in the unfunded actuarial accrued liability. Therefore, they are amortized over the same number of years as the unfunded actuarial accrued liability.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

The funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	(A) <u>Actuarial Value of Assets</u>	(B) <u>Actuarial Accrued Liability (AAL)</u>	(A-B) <u>Over (Under) Funded AAL</u>	(A/B) <u>Funded AAL Ratio</u>	(C) <u>Covered Payroll</u>	<u>[(A-B/C) Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
<u>Firemen Plan</u>						
7/1/2013	\$ 28,027,400	\$ 29,781,800	\$ (1,754,400)	94.1%	N/A	N/A
<u>Employee Plan</u>						
7/1/2013	\$ 83,433,100	\$ 106,017,700	\$ (22,584,600)	78.7%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

**12. Annual pension cost and net pension asset ("NPA")**

The changes in the NPA were as follows:

	<u>Firemen</u>	<u>Employee</u>
Annual required contribution	\$ 968,400	\$ 4,094,700
Interest on net pension asset	(667,222)	(2,111,691)
Adjustment to annual required contribution	<u>770,952</u>	<u>2,439,987</u>
Annual pension cost	1,072,130	4,422,996
Contributions made	<u>1,065,039</u>	<u>4,616,760</u>
Change in net pension asset	(7,091)	193,764
Net pension asset - July 1, 2013	<u>8,340,273</u>	<u>26,396,136</u>
Net pension asset - June 30, 2014	<u>\$ 8,333,182</u>	<u>\$ 26,589,900</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

13. Three year trend information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
<u>Firemen Plan</u>				
2012	\$ 734,702	\$ 738,220	100.5%	\$ 8,522,136
2013	967,463	785,600	81.2%	8,340,273
2014	1,072,130	1,065,039	99.3%	8,333,182
<u>Employee Plan</u>				
2012	\$3,668,827	\$3,503,091	95.5%	\$26,135,709
2013	4,216,848	4,477,275	106.2%	26,396,136
2014	4,422,996	4,616,760	122.6%	26,589,900

14. Plan statements

Combining Statement of Fiduciary Net Position  
Pension Funds  
June 30, 2014

	<u>Pension Trust Funds</u>		
	<u>Firemen's Pension Fund</u>	<u>Employee's Pension Fund</u>	<u>Total</u>
<u>Assets</u>			
Investments at fair value:			
Mutual funds:			
Money market	\$ 52,142	\$ 485,726	\$ 537,868
Equity	24,751,614	66,417,940	91,169,554
Diversified bonds	9,384,532	32,173,032	41,557,564
Total investments	34,188,288	99,076,698	133,264,986
Due from other funds	277,999	932,120	1,210,119
Total assets	34,466,287	100,008,818	134,475,105
<u>Net Position</u>			
Net position held in trust for pension benefits	\$ 34,466,287	\$ 100,008,818	\$ 134,475,105

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

## 15. Plan statements

Combining Statement of Changes in Fiduciary Net Position  
Pension Funds  
Year Ended June 30, 2014

	Pension Trust Funds		
	Firemen's Pension Fund	Employee's Pension Fund	Total
Additions:			
Contributions:			
Employer	\$ 1,065,039	\$ 4,616,760	\$ 5,681,799
Plan members	190,130	646,463	836,593
Total contributions	1,255,169	5,263,223	6,518,392
Investment income (loss):			
Change in fair value of investments	5,031,214	13,931,829	18,963,043
Interest and dividends	519,361	1,500,874	2,020,235
Total investment income	5,550,575	15,432,703	20,983,278
Less investment expenses	37,912	109,265	147,177
Net investment income (loss)	5,512,663	15,323,438	20,836,101
Total additions	6,767,832	20,586,661	27,354,493
Deductions:			
Benefits	1,569,689	7,190,247	8,759,936
Administration	12,375	53,218	65,593
Total deductions	1,582,064	7,243,465	8,825,529
Changes in net position	5,185,768	13,343,196	18,528,964
Net position - July 1, 2013	29,280,519	86,665,622	115,946,141
Net position - June 30, 2014	\$ 34,466,287	\$ 100,008,818	\$ 134,475,105

## 16. Defined contribution pension plans

The Borough administers four separate single-employer defined contribution pension plans. The Board of Mayor and Burgesses has authority to establish and amend the plans. Employee contribution percentages are defined in the union contracts. For police and fire, employees are required to contribute a minimum of 3.75% of wages and the Borough contribution is a maximum of 3.75% of wages. For Plan A and Plan B, employees are required to contribute a minimum of 3% of wages and the Borough contribution is a maximum of 3% of wages.

Employee and employer contributions made for the 2013/14 fiscal year are as follows:

Plan	Employee Contribution	Employer Contribution
Police	\$ 38,563	\$ 36,740
Fire	18,013	15,128
Plan A	29,325	12,855
Plan B	27,815	14,978

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

**D. Other post-employment benefit plan**

**1. Plan description**

The Borough administers one single-employer, post retirement healthcare plan for the Borough and Board of Education through the Borough of Naugatuck Other Post-Employment Benefit ("OPEB") trust fund. The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. The plan does not issue stand alone financial reports.

**2. Summary of significant accounting policies and plan asset matters**

Valuation of Investments

Investments are valued at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. There are no investments of 5% or greater in any one organization.

**3. Classes of employees covered**

As of July 1, 2012, the plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits	518
Active plan members	<u>789</u>
Total	<u>1,307</u>

**4. Benefit provisions**

**a. Benefit provisions**

The plan provides medical, dental and life insurance benefits for all Borough retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

**b. Employer contributions**

The Borough's contributions are actuarially determined on an annual basis using the projected unit credit method. The total plan contribution was \$5,080,300.

**c. Employee contributions**

Police, Fire and Board of Education certified administrator employees do not currently make any contributions to the plan.

Borough employees and noncertified Board of Education employees contribute 6.5% to 11% of premiums, as determined by bargaining unit.

Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Borough's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement plan. These teachers are required to contribute the cost of the insurance to the Borough.

Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014

**5. Funded status and funding progress**

The funded status of the plan as of July 1, 2012 was as follows:

	(A)	(B)	(A-B)	(A/B)	(C)	[(A-B)/C]
Actuarial Valuation Date <u>July 1, 2012</u>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
Borough	\$ 1,714,790	\$ 74,785,812	\$ (73,071,022)	2.3%	N/A	N/A
Board of Education	816,684	70,974,382	(70,157,698)	1.2%	N/A	N/A
Total	<u>\$ 2,531,474</u>	<u>\$145,760,194</u>	<u>\$ (143,228,720)</u>	<u>1.7%</u>	<u>\$53,905,000</u>	<u>(265.7)%</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI 5"), immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

**6. Actuarial methods and assumptions**

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

The data presented in the schedule of funding progress and schedule of contribution were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	30 Years Open
Asset Valuation Method	Fair Value

## Borough of Naugatuck, Connecticut

Notes to Financial Statements  
June 30, 2014Actuarial Assumptions:

Investment rate of return	5.0%
Healthcare inflation rate:	
Initial	9.0%
Ultimate	5.0%
Inflation rate	N/A

**7. Annual OPEB cost and net OPEB obligation ("NOO")**

The changes in the NOO were as follows:

Annual required contribution	\$ 14,372,300
Interest on net OPEB obligation	2,347,300
Adjustment to annual required contribution	<u>(2,908,600)</u>
Annual OPEB cost (AOC)	13,811,000
Contributions made	<u>5,080,300</u>
Change in net OPEB obligation	8,730,700
Net OPEB obligation - July 1, 2013	<u>46,945,400</u>
Net OPEB obligation - June 30, 2014	<u>\$ 55,676,100</u>

**8. Three year trend information**

Year Ending June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation	Actual Contributed
2012	\$ 13,867,800	44%	\$ 38,773,700	\$ 6,099,700
2013	14,043,900	42%	46,945,400	5,872,200
2014	13,811,000	37%	55,676,100	5,080,300

**E. On-behalf payments**

The amount of the State Teachers' Retirement Plan contribution recognized in the general fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Borough's teachers was \$6,915,532.

**F. Changes in major funds**

For the fiscal year ended June 30, 2014, the Capital Nonrecurring Fund qualified as a major fund and is no longer presented as a nonmajor fund. As a result, the beginning fund balance for other governmental funds changed from \$13,484,896 to \$6,000,088. The difference of \$7,484,808 is the beginning fund balance for the Capital Nonrecurring Fund.

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**Required  
Supplementary  
Information**

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## Borough of Naugatuck, Connecticut

## Firemen's Pension Fund

Required Supplementary Information  
Schedule of Changes in Net Pension Liability

June 30, 2014

	<u>2014</u>
Total pension liability:	
Service cost	\$ 671,914
Interest	2,514,224
Benefit payments, including refunds of member contributions	<u>(1,569,689)</u>
Net change in total pension liability	1,616,449
Total pension liability - July 1	<u>31,525,637</u>
Total pension liability - June 30 (a)	<u><u>\$ 33,142,086</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 1,065,039
Contributions - member	190,130
Net investment income	5,512,663
Benefit payments, including refunds of member contributions	(1,569,689)
Administration expense	<u>(12,375)</u>
Net change in plan fiduciary net position	5,185,768
Plan fiduciary net position - July 1	<u>29,280,519</u>
Plan fiduciary net position - June 30 (b)	<u><u>\$ 34,466,287</u></u>
Net pension liability (asset) - June 30 (a)-(b)	<u><u>\$ (1,324,201)</u></u>

**Borough of Naugatuck, Connecticut**

**Employee's Pension Fund**

**Required Supplementary Information  
Schedule of Changes in Net Pension Liability**

**June 30, 2014**

	<u>2014</u>
Total pension liability:	
Service cost	\$ 2,127,000
Interest	8,834,440
Benefit payments, including refunds of member contributions	<u>(7,109,921)</u>
Net change in total pension liability	3,851,519
Total pension liability - July 1	<u>111,790,070</u>
Total pension liability - June 30 (a)	<u><u>\$ 115,641,589</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 4,616,760
Contributions - member	646,463
Net investment income	15,323,438
Benefit payments, including refunds of member contributions	(7,190,247)
Administration expense	<u>(53,218)</u>
Net change in plan fiduciary net position	13,343,196
Plan fiduciary net position - July 1	<u>86,665,622</u>
Plan fiduciary net position - June 30 (b)	<u><u>\$ 100,008,818</u></u>
Net pension liability (asset) - June 30 (a)-(b)	<u><u>\$ 15,632,771</u></u>

**Borough of Naugatuck, Connecticut**

**Firemen's Pension Fund**

**Required Supplementary Information  
Schedule of Net Pension Liability**

**June 30, 2014**

	<u>2014</u>
Total pension liability	\$ 33,142,086
Plan fiduciary net position	<u>34,466,287</u>
Net pension asset	<u><u>\$ (1,324,201)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u>104.00%</u>
Covered-employee payroll	<u><u>\$ 3,544,134</u></u>
Net pension asset as a percentage of covered-employee payroll	<u><u>37.36%</u></u>

**Schedule of Investment Returns**

	<u>2014</u>
Annual Money weighted rate of return, net investment expense	<u><u>18.80%</u></u>

**Borough of Naugatuck, Connecticut**

**Employee's Pension Fund**

**Required Supplementary Information  
Schedule of Net Pension Liability**

**June 30, 2014**

	<u>2014</u>
Total pension liability	\$ 115,641,589
Plan fiduciary net position	<u>100,008,818</u>
Net pension liability	<u><u>\$ 15,632,771</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>86.48%</u></u>
Covered-employee payroll	<u><u>\$ 18,579,111</u></u>
Net pension liability as a percentage of covered-employee payroll	<u><u>84.14%</u></u>

**Schedule of Investment Returns**

	<u>2014</u>
Annual Money weighted rate of return, net investment expense	<u><u>17.79%</u></u>

## Borough of Naugatuck, Connecticut

## Firemen's Pension Fund

Required Supplementary Information  
Schedule of ContributionsLast 10 Fiscal Years

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2014	\$ 968,400	\$ 1,065,039	\$ 96,639	\$ 3,544,134	30.05%
2013	875,900	785,600	(90,300)	3,391,516	23.16%
2012	655,600	738,220	82,620	3,245,470	22.75%
2011	565,951	855,900	289,949	N/A	N/A
2010	691,200	646,626	(44,574)	3,191,877	20.26%
2009	646,626	616,200	(30,426)	N/A	N/A
2008	616,200	546,442	(69,758)	3,111,067	17.56%
2007	433,504	489,860	56,356	N/A	N/A
2006	411,200	407,088	(4,112)	2,729,030	14.92%
2005	414,047	409,907	(4,140)	N/A	N/A

## Borough of Naugatuck, Connecticut

## Employee's Pension Fund

Required Supplementary Information  
Schedule of ContributionsLast 10 Fiscal Years

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2014	\$ 4,094,700	\$ 4,616,760	\$ 522,060	\$18,579,111	24.85%
2013	3,936,044	4,477,275	541,231	17,779,053	25.18%
2012	3,424,600	3,503,091	78,491	17,013,448	20.59%
2011	3,009,841	3,100,136	90,295	N/A	N/A
2010	1,881,600	1,712,256	(169,344)	17,108,383	10.01%
2009	1,617,606	1,601,430	(16,176)	N/A	N/A
2008	1,556,200	1,665,134	108,934	18,758,499	8.88%
2007	1,230,476	1,611,924	381,448	N/A	N/A
2006	1,364,400	1,350,756	(13,644)	18,426,678	7.33%
2005	1,346,310	1,332,847	(13,463)	N/A	N/A

## Borough of Naugatuck, Connecticut

## Firemen's Pension Fund

Notes to Required Supplementary Information  
Year Ended June 30, 2014

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2012, two years prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Asset Valuation Method	5 year smoothing
Inflation	2.25%
Salary Increases	4.50%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

**Borough of Naugatuck, Connecticut**

**Employee's Pension Fund**

**Notes to Required Supplementary Information  
Year Ended June 30, 2014**

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2012, two years prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Asset Valuation Method	5 year smoothing
Inflation	2.25%
Salary Increases	4.50%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

## Borough of Naugatuck, Connecticut

## Borough of Naugatuck Other Post-Employment Benefit Plan

Required Supplementary Information  
Schedule of Funding Progress

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over/Under Funded AAL As a Percentage of Covered Payroll
2006	\$ -	\$ 142,221,000	\$ (142,221,000)	0.0%	\$ 49,972,600	-284.6%
2008	-	155,650,000	(155,650,000)	0.0%	52,815,200	-294.7%
2010	-	142,965,000	(142,965,000)	0.0%	52,127,000	-274.3%
2012	2,531,474	145,760,194	(143,228,720)	1.7%	53,905,000	-265.7%

## Schedule of Employer Contributions

Fiscal Year End June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$ 15,969,900	\$ 5,642,200	35%
2010	14,858,100	5,139,200	35%
2011	15,118,900	3,798,200	25%
2012	14,238,500	6,099,700	43%
2013	14,507,500	5,872,200	40%
2014	14,372,300	5,080,300	35%

## Borough of Naugatuck, Connecticut

## Borough of Naugatuck Other Post-Employment Benefit Plan

Notes to Required Supplementary Information  
Year Ended June 30, 2014

Changes of benefit terms	None
Changes of assumptions	Effective July 1 2013, the Board of Education will only provide a high deductible plan with a health savings account
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2012, two years prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Amortization Period	30 years
Investment Rate of Return	5.0%
Healthcare Inflation rate - Initial	9.0%
Healthcare Inflation rate - Ultimate	5.0%
Inflation rate	N/A

## Borough of Naugatuck, Connecticut

Borough of Naugatuck Retirement Income Plans  
Schedules of Funding ProgressEmployee Pension Fund

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL As a Percentage of Covered Payroll
2008	\$ 82,836,984	\$ 78,743,728	\$ 4,093,256	105.2%	\$ 18,758,499	21.8%
2009	80,737,900	82,313,400	(1,575,500)	98.1%	N/A	N/A
2010	78,408,209	92,073,091	(13,664,882)	85.2%	17,108,383	-79.9%
2011	79,068,300	95,189,900	(16,121,600)	83.1%	N/A	N/A
2012	79,477,907	102,500,620	(23,022,713)	77.5%	17,013,448	-135.3%
2013	83,433,100	106,017,700	(22,584,600)	78.7%	N/A	N/A

Firemen Pension Fund

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL As a Percentage of Covered Payroll
2008	\$ 26,052,059	\$ 23,777,245	\$ 2,274,814	109.6%	\$ 3,111,067	73.1%
2009	25,810,600	25,276,000	534,600	102.1%	N/A	N/A
2010	25,573,881	26,052,540	(478,659)	98.2%	3,191,877	-15.0%
2011	26,231,900	27,154,100	(922,200)	96.6%	N/A	N/A
2012	26,637,171	28,125,192	(1,488,021)	94.7%	3,245,470	-45.8%
2013	28,027,400	29,781,800	(1,754,400)	94.1%	N/A	N/A

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## **General Fund**

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The general fund is the principal fund of the Borough and is used to account for all activities of the Borough, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Borough (i.e., general government, public safety, public works, health and welfare, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Borough of Naugatuck, Connecticut

General Fund  
Schedule of Revenues and Other Financing Sources -  
Budget and Actual  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Property taxes:				
Taxes	\$ 67,167,314	\$ 67,167,314	\$ 66,166,213	\$ (1,001,101)
Taxes new construction	50,000	50,000	10,142	(39,858)
Prior year taxes	1,900,000	1,900,000	2,567,695	667,695
Interest and lien fees	500,000	500,000	1,522,830	1,022,830
Vehicle tax	375,000	375,000	737,238	362,238
Exemption P.A. 515	900	900	1,109	209
In lieu of taxes - Housing Authority	60,000	60,000	174,901	114,901
Telephone access grant	84,668	84,668	90,526	5,858
<b>Total property taxes</b>	<b>70,137,882</b>	<b>70,137,882</b>	<b>71,270,654</b>	<b>1,132,772</b>
Intergovernmental revenues - grants:				
Town:				
State revenue			321,327	321,327
Taxes elderly freeze	4,000	4,000		(4,000)
Elderly circuit breaker	235,000	235,000	217,139	(17,861)
Superior court distribution	4,000	4,000	29,266	25,266
Municipal revenue sharing grant	285,791	285,791	351,596	65,805
Capital improvements	254,126	254,126	745,597	491,471
In lieu of taxes - state property			62,990	62,990
Railroad station - state rental	8,000	8,000		(8,000)
Matching funds - civil preparedness	2,500	2,500		(2,500)
Additional exempt vets	43,884	43,884	42,772	(1,112)
Municipal video			8,483	8,483
Social security disability	15,000	15,000	19,390	4,390
Boats	6,305	6,305		(6,305)
Enterprise zone	81,000	81,000	147,841	66,841
Pequot grant			210,746	210,746
<b>Total Town</b>	<b>939,606</b>	<b>939,606</b>	<b>2,157,147</b>	<b>1,217,541</b>
Education:				
Education cost sharing	29,675,726	29,675,726	29,098,004	(577,722)
Special ed excess cost	550,000	550,000	721,972	171,972
Transportation - public			308,072	308,072
Transportation - non public			49,365	49,365
<b>Total education</b>	<b>30,225,726</b>	<b>30,225,726</b>	<b>30,177,413</b>	<b>(48,313)</b>
<b>Total intergovernmental revenues</b>	<b>31,165,332</b>	<b>31,165,332</b>	<b>32,334,560</b>	<b>1,169,228</b>
Charges for services:				
Youth services	600	600	1,284	684
Assessor's copies	700	700	611	(89)
Fire miscellaneous	125	125	189	64
Probate court	8,232	8,232	8,841	609
Permits & licenses	2,200	2,200	2,200	-
Zoning hearing costs	20,000	20,000	28,460	8,460
Other costs - Borough clerk	500	500	89	(411)
Police towing	10,000	10,000	7,353	(2,647)
Recording fees	105,000	105,000	120,128	15,128
Conveyance tax	130,000	130,000	115,883	(14,117)
Vital statistics	30,000	30,000	30,817	817
Dog licenses	800	800	988	188
Miscellaneous - Town clerk	28,000	28,000	32,894	4,894
Building, plumbing & electrical	200,000	200,000	201,205	1,205
Parking fines	5,000	5,000	4,131	(869)
Sewer connections	7,000	7,000	11,450	4,450
Private duty - police & fire	10,000	10,000		(10,000)

(Continued)

Borough of Naugatuck, Connecticut

General Fund  
Schedule of Revenues and Other Financing Sources -  
Budget and Actual  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)				
Miscellaneous - police	\$ 25,000	\$ 25,000	\$ 30,005	\$ 5,005
V.N.A. fees	950,000	950,000	708,962	(241,038)
Golf course fees	435,000	435,000	400,586	(34,414)
Rental club house	18,000	18,000	13,600	(4,400)
Tuition other schools	30,000	30,000	43,120	13,120
Interest & lien fees	5,000	5,000	2,441	(2,559)
GDC	293,900	293,900	262,410	(31,490)
Rental - conrad street water tank	24,200	24,200	17,607	(6,593)
Tipping fees			30,715	30,715
Oxford connection	450,000	450,000	450,000	-
Transfer sewer authority	500	500	564	64
Clearwire	18,867	18,867	23,559	4,692
Hopkins park	80	80	80	-
Beacon falls / beacon hills east	32,354	32,354	62,290	29,936
Prospect connection	6,382	6,382	9,275	2,893
Veolia contract monitoring payment	84,424	84,424	83,740	(684)
Veolia base rent element 1	3,103,360	3,103,360	3,078,242	(25,118)
Hop brook lights	6,500	6,500	6,250	(250)
Middlebury connection - contract	206,027	206,027	138,133	(67,894)
Veolia base element 2	1,110,110	1,110,110	1,110,110	-
Bulk trash fees	60,000	60,000	54,805	(5,195)
<b>Total charges for services</b>	<b>7,417,861</b>	<b>7,417,861</b>	<b>7,093,017</b>	<b>(324,844)</b>
Interest from investments	60,000	60,000	72,721	12,721
Miscellaneous:				
Miscellaneous revenue	195,000	195,000	95,602	(99,398)
Clean water fund bond	3,905	3,905	3,762	(143)
<b>Total miscellaneous</b>	<b>198,905</b>	<b>198,905</b>	<b>99,364</b>	<b>(99,541)</b>
<b>Total revenues</b>	<b>108,979,980</b>	<b>108,979,980</b>	<b>110,870,316</b>	<b>1,890,336</b>
Other financing sources:				
Appropriation of fund balance	935,752	935,752		(935,752)
Reserve fund closeout	160,000	160,000		(160,000)
Sale of Borough capital assets			4,138	4,138
Transfers in	831,691	831,691	58,617	(773,074)
<b>Total other financing sources</b>	<b>1,927,443</b>	<b>1,927,443</b>	<b>62,755</b>	<b>(1,864,688)</b>
<b>Total revenues and other financing sources</b>	<b>\$ 110,907,423</b>	<b>\$ 110,907,423</b>	<b>\$ 110,933,071</b>	<b>\$ 25,648</b>

(Concluded)

Borough of Naugatuck, Connecticut

General Fund  
Schedule of Expenditures and Other Financing Uses -  
Budget and Actual  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
General government:				
Administrative	\$ 252,188	\$ 254,698	\$ 251,159	\$ 3,539
Town hall building	133,279	148,245	148,050	195
Town wide activity	187,710	200,368	186,665	13,703
Department of finance	379,333	381,283	380,733	550
Probate court	15,395	15,433	13,716	1,717
Elections	128,996	112,958	64,181	48,777
Tax department	229,843	229,843	210,464	19,379
Property assessment	222,942	237,980	231,434	6,546
Building inspector	198,833	206,668	206,127	541
Information technology	222,193	224,462	222,702	1,760
Town clerk	200,526	204,629	204,472	157
Downtown development	324,700	324,700	227,306	97,394
Naugatuck economic development	94,050	94,050	94,050	-
Land use	193,018	257,903	257,606	297
Legal department	285,000	297,797	277,394	20,403
Estimated wage increase	113,560	81,880	81,861	19
Human resources	85,324	86,861	81,729	5,132
Prospect street building maintenance	85,780	85,780	36,238	49,542
Total general government	3,352,670	3,445,538	3,175,887	269,651
Public safety:				
Police department	6,380,609	6,362,874	6,343,930	18,944
Fire department	3,864,264	3,976,775	3,915,726	61,049
Emergency management	5,000	5,000	5,000	-
Local emergency planning	19,900	19,900	19,002	898
Eastside fire station	16,590	17,620	15,318	2,302
Safety patrol	1,000	1,000	132	868
Fire police	1,000	1,000	881	119
Total public safety	10,288,363	10,384,169	10,299,989	84,180
Public works:				
Operation and maintenance	4,198,725	4,679,867	4,452,181	227,686
Engineering department	410,208	413,141	354,600	58,541
Water Pollution Control Board	4,337,288	4,159,785	4,130,986	28,799
Total public works	8,946,221	9,252,793	8,937,767	315,026
Health and welfare:				
Social services	30,000	30,000	30,000	-
Youth services	121,984	128,604	124,620	3,984
Public health nurse	1,206,937	966,820	896,068	70,752
Community service	959,610	959,610	957,605	2,005
Senior citizens	117,343	118,918	115,551	3,367
Total health and welfare	2,435,874	2,203,952	2,123,844	80,108

(Continued)

Borough of Naugatuck, Connecticut

General Fund  
Schedule of Expenditures and Other Financing Uses -  
Budget and Actual  
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Nondepartmental:				
Pension	\$ 6,063,884	\$ 6,066,789	\$ 5,954,326	\$ 112,463
Insurance	8,358,318	8,372,628	8,148,179	224,449
General	1,193,802	1,193,802	1,156,062	37,740
Contingency	400,000			-
Total nondepartmental	<u>16,016,004</u>	<u>15,633,219</u>	<u>15,258,567</u>	<u>374,652</u>
Education	<u>59,478,771</u>	<u>59,478,771</u>	<u>59,289,021</u>	<u>189,750</u>
Debt service:				
Bond redemption	2,195,088	2,441,878	2,441,878	-
Interest on bonds	3,129,910	2,994,076	2,805,952	188,124
Miscellaneous borrowing cost	25,000	25,000		25,000
Lease payments	1,438,459	1,446,964	1,446,964	-
Total debt service	<u>6,788,457</u>	<u>6,907,918</u>	<u>6,694,794</u>	<u>213,124</u>
Total expenditures	<u>107,306,360</u>	<u>107,306,360</u>	<u>105,779,869</u>	<u>1,526,491</u>
Other financing uses:				
Transfers to other funds:				
Bonded Projects Fund	1,189,878	1,189,878	1,189,878	-
Debt Service Fund	2,331,177	2,331,177	2,331,177	-
Dog Fund	80,008	80,008	80,008	-
Total other financing uses	<u>3,601,063</u>	<u>3,601,063</u>	<u>3,601,063</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 110,907,423</u>	<u>\$ 110,907,423</u>	<u>\$ 109,380,932</u>	<u>\$ 1,526,491</u>

(Concluded)

## Borough of Naugatuck, Connecticut

Report of Tax Collector  
Year Ended June 30, 2014

Grand List Year	Uncollected Taxes July 1, 2013	Current Year Levy	Lawful Corrections		Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2014
			Additions	Deductions		Net Taxes Collected	Interest & Liens	Total	
1997	\$ 170,840	\$	\$	\$ 170,840	\$ -	\$	\$	\$ -	\$ -
1998	182,389				182,389	522	1,319	1,841	181,867
1999	245,017			205	244,812	1,244	3,058	4,302	243,568
2000	228,878			92	228,786	973	1,240	2,213	227,813
2001	314,004				314,004	2,540	4,588	7,128	311,464
2002	309,644				309,644	2,871	4,975	7,846	306,773
2003	280,309			173	280,136	7,963	14,619	22,582	272,173
2004	305,600			1,055	304,545	15,821	22,631	38,452	288,724
2005	474,141			1,138	473,003	39,809	47,709	87,518	433,194
2006	708,803			1,396	707,407	109,391	104,364	213,755	598,016
2007	748,170		366	3,403	745,133	155,880	148,681	304,561	589,253
2008	953,430			5,435	947,995	216,343	176,909	393,252	731,652
2009	1,228,631		146	11,872	1,216,905	277,639	172,664	450,303	939,266
2010	1,630,743		4,061	44,114	1,590,690	404,125	176,828	580,953	1,186,565
2011	<u>2,970,750</u>		<u>5,747</u>	<u>62,043</u>	<u>2,914,454</u>	<u>1,332,574</u>	<u>294,888</u>	<u>1,627,462</u>	<u>1,581,880</u>
Total Prior Years	10,751,349	-	10,320	301,766	10,459,903	2,567,695	1,174,473	3,742,168	7,892,208
2012		<u>70,863,831</u>	<u>102,902</u>	<u>506,987</u>	<u>70,459,746</u>	<u>66,914,810</u>	<u>349,761</u>	<u>67,264,571</u>	<u>3,544,936</u>
TOTAL	<u>\$ 10,751,349</u>	<u>\$ 70,863,831</u>	<u>\$ 113,222</u>	<u>\$ 808,753</u>	<u>\$ 80,919,649</u>	<u>\$69,482,505</u>	<u>\$ 1,524,234</u>	<u>\$ 71,006,739</u>	<u>\$ 11,437,144</u>

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# Nonmajor Governmental Funds

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## Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Community Development	Federal grants	Borough development programs
Town Aid Road	State grants	Public works
Dog Fund	User fees	Public safety
Private Duty Service	User fees	Police outside services
CRRA	User fees	Public works
Public Safety	Federal and State grants	Public safety
Consolidation Fund	Recreation fees	General government
Community Fund	Federal and State grants	Health and welfare
School Rental	User fees	Education related programs
Youth Services Bureau	Federal and State grants	Health and welfare
Daycare	Federal grants	Education
School Cafeteria	Sale of lunches and grants	Cafeteria operations
Special Education Grants	Federal and State grants	Education related programs
Adult Education	User fees	Education related programs

## Debt Service

The debt service fund is used for debt service payments related to the waste treatment plant.

## Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities and equipment.

**Bonded projects fund** – account for the acquisition of financed capital purchases and expenditures.

## Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting Borough's programs.

**Tuttle Lewis Whittemore Trust Fund** – maintenance of grounds at the Hillside Middle School.

Borough of Naugatuck, Connecticut

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

Special Revenue Funds

	<u>Community Development</u>	<u>Town Aid Road</u>	<u>Dog Fund</u>	<u>Private Duty Service</u>	<u>Public Safety</u>	<u>Consolidation Fund</u>	<u>Community Fund</u>
<u>Assets</u>							
Cash	\$ 125,886	\$	\$ 34,832	\$	\$ 10,260	\$	\$ 44,794
Investments							
Receivables:							
Intergovernmental	16,832						
Loans	625,203						
Other			1,117				
Due from other funds		772,434	142,649	19,469		316,674	1,107
Other							
Total assets	<u>\$ 767,921</u>	<u>\$ 772,434</u>	<u>\$ 178,598</u>	<u>\$ 19,469</u>	<u>\$ 10,260</u>	<u>\$ 316,674</u>	<u>\$ 45,901</u>
<u>Liabilities</u>							
Accounts payable	\$ 72,781	\$ 141,848	\$ 11,184	\$	\$	\$	\$
Due to other funds							
Unearned revenue							
Total liabilities	<u>72,781</u>	<u>141,848</u>	<u>11,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>							
Nonspendable	625,203						
Restricted	69,937	630,586			10,260	174,170	45,901
Committed			167,414	19,469		142,504	
Assigned							
Total fund balances	<u>695,140</u>	<u>630,586</u>	<u>167,414</u>	<u>19,469</u>	<u>10,260</u>	<u>316,674</u>	<u>45,901</u>
Total liabilities and fund balances	<u>\$ 767,921</u>	<u>\$ 772,434</u>	<u>\$ 178,598</u>	<u>\$ 19,469</u>	<u>\$ 10,260</u>	<u>\$ 316,674</u>	<u>\$ 45,901</u>

(Continued)

Borough of Naugatuck, Connecticut

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds					
	School Rental	Youth Services Bureau	School Cafeteria	Special Education Grants	Adult Education	Total Special Revenue Funds
<u>Assets</u>						
Cash	\$	\$	\$	\$	\$	\$
Investments	142,287	14,594	44,241	2,054,377	3,421	2,332,405
Receivables:						
Intergovernmental			211,511	83,458		311,801
Loans						625,203
Other			14,539	4,929		20,585
Due from other funds						1,252,333
Other			33,547			33,547
Total assets	<u>\$ 142,287</u>	<u>\$ 14,594</u>	<u>\$ 303,838</u>	<u>\$ 2,142,764</u>	<u>\$ 3,421</u>	<u>\$ 4,718,161</u>
<u>Liabilities</u>						
Accounts payable	\$	\$	\$	\$	\$	\$
Due to other funds		7,397	51,120	141,245		425,575
Unearned revenue			126,361	820,576		946,937
				154,795		154,795
Total liabilities	<u>-</u>	<u>7,397</u>	<u>177,481</u>	<u>1,116,616</u>	<u>-</u>	<u>1,527,307</u>
<u>Fund Balances</u>						
Nonspendable			33,547			658,750
Restricted		7,197	92,810	1,026,148		2,057,009
Committed	142,287				3,421	475,095
Assigned						-
Total fund balances	<u>142,287</u>	<u>7,197</u>	<u>126,357</u>	<u>1,026,148</u>	<u>3,421</u>	<u>3,190,854</u>
Total liabilities and fund balances	<u>\$ 142,287</u>	<u>\$ 14,594</u>	<u>\$ 303,838</u>	<u>\$ 2,142,764</u>	<u>\$ 3,421</u>	<u>\$ 4,718,161</u>

(Continued)

Borough of Naugatuck, Connecticut

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	
	<u>Debt Service Fund</u>	<u>Tuttle Lewis Whittemore Trust Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash	\$	\$ 17,341	\$ 2,349,746
Investments	1,549,892	101,318	1,793,497
Receivables:			
Intergovernmental			311,801
Loans			625,203
Other	13		20,598
Due from other funds	1,227,631		2,479,964
Other			33,547
<b>Total assets</b>	<u><u>\$ 2,777,536</u></u>	<u><u>\$ 118,659</u></u>	<u><u>\$ 7,614,356</u></u>
<u>Liabilities</u>			
Accounts payable	\$ 284,099	\$	\$ 709,674
Due to other funds			946,937
Unearned revenue			154,795
<b>Total liabilities</b>	<u>284,099</u>	<u>-</u>	<u>1,811,406</u>
<u>Fund Balances</u>			
Nonspendable		1,000	659,750
Restricted		117,659	2,174,668
Committed			475,095
Assigned	2,493,437		2,493,437
<b>Total fund balances</b>	<u>2,493,437</u>	<u>118,659</u>	<u>5,802,950</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 2,777,536</u></u>	<u><u>\$ 118,659</u></u>	<u><u>\$ 7,614,356</u></u>

(Concluded)

Borough of Naugatuck, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014

Special Revenue Funds

	Community Development	Town Aid Road	Dog Fund	Private Duty Service	CRRA	Public Safety	Consolidation Fund	Community Fund
Revenues:								
Intergovernmental	\$ 148,322	\$ 425,230	\$	\$	\$	\$ 17,456	\$ 6,500	\$
Charges for services	77,382		7,322	949,560			144,596	1,908
Income from investments	37					19		
Contributions								
Miscellaneous	813							
Total revenues	<u>226,554</u>	<u>425,230</u>	<u>7,322</u>	<u>949,560</u>	<u>-</u>	<u>17,475</u>	<u>151,096</u>	<u>1,908</u>
Expenditures:								
Current:								
General government							151,097	
Public safety			74,917	890,410		52,984		
Public works		254,008						
Health and welfare	75,707							801
Education								
Debt service								
Capital outlay								
Total expenditures	<u>75,707</u>	<u>254,008</u>	<u>74,917</u>	<u>890,410</u>	<u>-</u>	<u>52,984</u>	<u>151,097</u>	<u>801</u>
Excess (deficiency) of revenues over expenditures	<u>150,847</u>	<u>171,222</u>	<u>(67,595)</u>	<u>59,150</u>	<u>-</u>	<u>(35,509)</u>	<u>(1)</u>	<u>1,107</u>
Other financing sources (uses):								
Transfers in			80,008					
Transfers out				(58,571)	(44)	(2)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>80,008</u>	<u>(58,571)</u>	<u>(44)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	150,847	171,222	12,413	579	(44)	(35,511)	(1)	1,107
Fund balances - July 1, 2013	<u>544,293</u>	<u>459,364</u>	<u>155,001</u>	<u>18,890</u>	<u>44</u>	<u>45,771</u>	<u>316,675</u>	<u>44,794</u>
Fund balances - June 30, 2014	<u>\$ 695,140</u>	<u>\$ 630,586</u>	<u>\$ 167,414</u>	<u>\$ 19,469</u>	<u>\$ -</u>	<u>\$ 10,260</u>	<u>\$ 316,674</u>	<u>\$ 45,901</u>

(Continued)

Borough of Naugatuck, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014

Special Revenue Funds

	School Rental	Youth Services Bureau	Day Care	School Cafeteria	Special Education Grants	Adult Education	Total Special Revenue Funds
Revenues:							
Intergovernmental	\$	\$ 34,283	\$ 342,924	\$ 1,165,849	\$ 4,607,098	\$	\$ 6,747,662
Charges for services	27,636			899,441	484,664	12,327	2,604,836
Income from investments	258					4	318
Contributions							-
Miscellaneous		4,500					5,313
Total revenues	27,894	38,783	342,924	2,065,290	5,091,762	12,331	9,358,129
Expenditures:							
Current:							
General government							151,097
Public safety							1,018,311
Public works							254,008
Health and welfare		37,728					114,236
Education			342,924	2,068,115	5,062,007	15,213	7,488,259
Debt service							-
Capital outlay							-
Total expenditures	-	37,728	342,924	2,068,115	5,062,007	15,213	9,025,911
Excess (deficiency) of revenues over expenditures	27,894	1,055	-	(2,825)	29,755	(2,882)	332,218
Other financing sources (uses):							
Transfers in							80,008
Transfers out							(58,617)
Total other financing sources (uses)	-	-	-	-	-	-	21,391
Net change in fund balances	27,894	1,055	-	(2,825)	29,755	(2,882)	353,609
Fund balances - July 1, 2013	114,393	6,142	-	129,182	996,393	6,303	2,837,245
Fund balances - June 30, 2014	\$ 142,287	\$ 7,197	\$ -	\$ 126,357	\$ 1,026,148	\$ 3,421	\$ 3,190,854

(Continued)

Borough of Naugatuck, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014

	Debt Service Fund	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Debt Service Fund	Bonded Projects Fund	Tuttle Lewis Whittemore Trust Fund	
Revenues:				
Intergovernmental	\$	\$ 984,646	\$	\$ 7,732,308
Charges for services				2,604,836
Income from investments	68,525	759	1,107	70,709
Contributions			5,264	5,264
Miscellaneous	400,000	29,523		434,836
Total revenues	<u>468,525</u>	<u>1,014,928</u>	<u>6,371</u>	<u>10,847,953</u>
Expenditures:				
Current:				
General government				151,097
Public safety				1,018,311
Public works				254,008
Health and welfare			1,061	115,297
Education				7,488,259
Debt service	808,013			808,013
Capital outlay		567,360		567,360
Total expenditures	<u>808,013</u>	<u>567,360</u>	<u>1,061</u>	<u>10,402,345</u>
Excess (deficiency) of revenues over expenditures	<u>(339,488)</u>	<u>447,568</u>	<u>5,310</u>	<u>445,608</u>
Other financing sources (uses):				
Capital leases		78,322		78,322
Payment to refunding bond escrow	(17,019,119)			(17,019,119)
Issuance of debt	12,445,000			12,445,000
Premium	1,500,483			1,500,483
Transfers in	2,331,177			2,411,185
Transfers out				(58,617)
Total other financing sources (uses)	<u>(742,459)</u>	<u>78,322</u>	<u>-</u>	<u>(642,746)</u>
Net change in fund balances	(1,081,947)	525,890	5,310	(197,138)
Fund balances - July 1, 2013	3,575,384	(525,890)	113,349	6,000,088
Fund balances - June 30, 2014	<u>\$ 2,493,437</u>	<u>\$ -</u>	<u>\$ 118,659</u>	<u>\$ 5,802,950</u>

(Concluded)

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# Internal Service Funds

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Internal Service funds are used to account for the providing of goods or services provided by one department to other departments of the Borough on a cost reimbursement basis or accounting for risk retention as allowed by GASB Statement No. 10.

## **General Government**

To account for self-insured dental benefits for Borough employees.

## **Board of Education**

To account for self-insured dental benefits for Board of Education employees.

## Borough of Naugatuck, Connecticut

**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2014**

	<u>Dental Insurance</u>	<u>Medical and Dental Insurance</u>	
	General Government	Board of Education	<u>Total</u>
<u>Assets</u>			
Cash	\$ 352,869	\$ 290,390	\$ 643,259
Due from other funds	<u>1,572,370</u>	<u>6,468,758</u>	<u>8,041,128</u>
Total assets	<u>1,925,239</u>	<u>6,759,148</u>	<u>8,684,387</u>
<u>Liabilities</u>			
Accounts payable	30,720		30,720
Claims payable	<u>30,883</u>	<u>60,575</u>	<u>91,458</u>
Total liabilities	<u>61,603</u>	<u>60,575</u>	<u>122,178</u>
<u>Net Position</u>			
Unrestricted	<u>\$ 1,863,636</u>	<u>\$ 6,698,573</u>	<u>\$ 8,562,209</u>

## Borough of Naugatuck, Connecticut

**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2014**

	<u>Dental Insurance</u>	<u>Medical and Dental Insurance</u>	
	<u>General Government</u>	<u>Board of Education</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 380,706	\$ 1,691,952	\$ 2,072,658
Operating expenses:			
Claims	442,463	700,371	1,142,834
Administration		1,233	1,233
Total operating expenses	<u>442,463</u>	<u>701,604</u>	<u>1,144,067</u>
Change in net position	(61,757)	990,348	928,591
Net position - July 1, 2013	<u>1,925,393</u>	<u>5,708,225</u>	<u>7,633,618</u>
Net position - June 30, 2014	<u>\$ 1,863,636</u>	<u>\$ 6,698,573</u>	<u>\$ 8,562,209</u>

## Borough of Naugatuck, Connecticut

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2014**

	<u>Dental Insurance</u>	<u>Medical and Dental Insurance</u>	
	<u>General Government</u>	<u>Board of Education</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received for charges for services	\$ 380,706	\$ 1,691,952	\$ 2,072,658
Cash paid for benefits and claims	(442,463)	(697,407)	(1,139,870)
Cash paid for administration		(1,233)	(1,233)
Cash receipts (payments) of interfund balances	326,515	(787,750)	(461,235)
	<u>264,758</u>	<u>205,562</u>	<u>470,320</u>
Net cash provided by (used in) operating activities and net increase (decrease) in cash			
	264,758	205,562	470,320
Cash - July 1, 2013	<u>88,111</u>	<u>84,828</u>	<u>172,939</u>
Cash - June 30, 2014	<u>\$ 352,869</u>	<u>\$ 290,390</u>	<u>\$ 643,259</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (61,757)	\$ 990,348	\$ 928,591
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
(Increase) decrease in:			
Due from other funds	318,331	(740,458)	(422,127)
Increase (decrease) in:			
Accounts payable	8,184	(47,292)	(39,108)
Claims payable		2,964	2,964
	<u>264,758</u>	<u>205,562</u>	<u>470,320</u>
Net cash provided by (used in) operating activities			
	<u>\$ 264,758</u>	<u>\$ 205,562</u>	<u>\$ 470,320</u>

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# Fiduciary Funds

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## **Pension Trust Funds**

### Employee Pension Fund

To account for contributions made by the Borough and its employees for pension benefits for all employees including non-certified and police personnel.

### Fire Pension Fund

To account for contributions made by the Borough and its employees for pension benefits for all members of the Fire Department.

## **OPEB Trust Fund**

To account for contributions made by the Borough and its employees for post employment benefits for all eligible Borough employees.

## **Private-Purpose Trust Fund**

To account for the initial restricted contribution and investment earnings, which are used to provide scholarships to eligible students as determined by the Board of Education.

## **Agency Fund**

To account for various activities as defined by State Statutes undertaken by students of the public school system.

## Borough of Naugatuck, Connecticut

**Agency Fund  
Student Activity Funds  
Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2014**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>Assets</u>				
Cash	\$ 198,710	\$ 670,069	\$ 630,874	\$ 237,905
Investments	<u>                    </u>	<u>126,875</u>	<u>                    </u>	<u>126,875</u>
Total assets	<u>\$ 198,710</u>	<u>\$ 796,944</u>	<u>\$ 630,874</u>	<u>\$ 364,780</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 198,710</u>	<u>\$ 796,944</u>	<u>\$ 630,874</u>	<u>\$ 364,780</u>

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# Statistical Section

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This part of the Borough's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Borough's overall financial health.

## Contents

### **Financial Trends (Tables 1 - 4)**

These schedules contain trend information to help the reader understand how the Borough's financial performance and well-being have changed over time.

### **Revenue Capacity (Tables 5 - 7)**

These schedules contain information to help the reader assess the Borough's most significant local revenue source, the property tax.

### **Debt Capacity (Tables 8 - 11)**

These schedules present information to help the reader assess the affordability of the Borough's current levels of outstanding debt and the Borough's ability to issue additional debt in the future.

### **Demographic and Economic Information (Tables 12 - 14)**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Borough's financial activities take place.

### **Operating Information (Tables 15-16)**

These schedules contain service and infrastructure data to help the reader understand how the information in the Borough's financial report relates to the services the Borough provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

## Borough of Naugatuck, Connecticut

Net Position by Component  
Last Ten Years  
(Unaudited)

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 129,094,722	\$ 86,523,149	\$ 105,427,433	\$ 105,480,331	\$ 103,244,478	\$ 102,598,069	\$ 104,944,090	\$ 106,308,617	\$ 105,670,568	\$ 115,445,287
Restricted for:										
Endowments:										
Nonexpendable	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Expendable	116,659	112,349	4,415,396	3,136,757	2,475,274	2,254,568		80,596	77,250	76,190
Public safety	10,260	534,492								
Public works	700,523	476,091								
Other	53,098	50,936	6,743,232		479,196	718,794	3,199,978	1,633,440	2,097,951	3,725,596
Education	1,293,128	1,384,122								
Unrestricted	<u>(29,632,327)</u>	<u>(230,311)</u>	<u>(20,015,374)</u>	<u>(10,441,335)</u>	<u>(3,821,118)</u>	<u>6,506,042</u>	<u>11,178,920</u>	<u>3,342,635</u>	<u>928,511</u>	<u>(1,211,158)</u>
Total net position	<u>\$ 101,637,063</u>	<u>\$ 88,851,828</u>	<u>\$ 96,571,687</u>	<u>\$ 98,176,753</u>	<u>\$ 102,378,830</u>	<u>\$ 112,078,473</u>	<u>\$ 119,323,988</u>	<u>\$ 111,366,288</u>	<u>\$ 108,775,280</u>	<u>\$ 118,036,915</u>

Table 2

## Borough of Naugatuck, Connecticut

Changes in Net Position  
Last Ten Years  
(Unaudited)

	Fiscal Year Ended									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
General government	\$ 10,332,621	\$ 10,289,524	\$ 10,031,197	\$ 10,843,172	\$ 11,149,634	\$ 10,987,838	\$ 10,772,717	\$ 10,593,607	\$ 10,890,521	\$ 10,401,437
Public safety	21,418,222	20,834,858	10,733,102	10,407,092	10,185,039	9,847,840	8,644,162	9,075,518	8,411,445	7,997,669
Public works	13,058,521	12,047,531	3,586,213	4,540,163	4,324,392	3,575,825	3,917,745	4,818,654	4,063,398	3,579,604
Health and welfare	4,299,282	4,311,601	6,157,275	6,354,763	5,963,939	5,993,102	5,056,021	6,011,417	5,108,590	5,727,378
Culture and recreation (1)			1,502,539	1,569,199	1,539,882	1,549,982	1,354,739	1,383,350	1,415,686	1,221,686
Education	80,266,613	76,510,448	73,981,723	72,441,941	74,047,687	71,341,598	81,525,519	60,003,960	58,442,691	53,608,262
Interest expense	2,836,697	3,834,396	4,318,636	4,475,578	5,205,871	4,849,517	5,025,985	5,120,837	2,366,146	2,281,591
Total expenses	<u>132,211,956</u>	<u>127,828,358</u>	<u>110,310,685</u>	<u>110,631,908</u>	<u>112,416,444</u>	<u>108,145,702</u>	<u>116,296,888</u>	<u>97,007,343</u>	<u>90,698,477</u>	<u>84,817,627</u>
Program revenues:										
Charges for services:										
General government	564,709	321,222	1,800,540	1,768,767	1,896,900	2,007,787	2,164,084	3,088,122	3,426,620	3,090,427
Public safety	1,008,389	797,018	994,820	821,034	581,738	429,472	358,306	326,579	361,182	322,041
Public works	5,427,704	5,465,085	3,910,811	3,757,289	3,536,655	3,663,807	3,597,390	3,393,562	3,330,854	3,720,079
Health and welfare	1,416,938	1,613,075	970,496	909,907	1,145,764	1,318,935	1,349,796	1,409,272	1,443,331	1,268,947
Culture and recreation			470,419	443,831		448,501	457,569	444,020	438,814	468,912
Education	1,467,188	1,675,366	1,327,349	1,300,058	1,170,750	1,494,211	1,467,650	1,484,427	1,390,336	1,572,721
Operating grants and contributions	43,420,641	42,252,414	43,257,854	40,241,149	41,242,455	41,336,830	54,161,698	35,656,661	34,867,966	33,098,314
Capital grants and contributions	17,410,487	3,421,760	1,482,843	3,150,264	277,886	1,171,599	4,273,907	1,542,133	416,532	383,198
Total program revenues	<u>70,716,056</u>	<u>55,545,940</u>	<u>54,215,132</u>	<u>52,392,299</u>	<u>49,852,148</u>	<u>51,871,142</u>	<u>67,830,400</u>	<u>47,344,776</u>	<u>45,675,635</u>	<u>43,924,639</u>
Net expenses	<u>(61,495,900)</u>	<u>(72,282,418)</u>	<u>(56,095,553)</u>	<u>(58,239,609)</u>	<u>(62,564,296)</u>	<u>(56,274,560)</u>	<u>(48,466,488)</u>	<u>(49,662,567)</u>	<u>(45,022,842)</u>	<u>(40,892,988)</u>
General revenues and other changes in net position:										
Property taxes	72,459,074	70,083,872	67,296,390	65,254,930	64,039,593	63,871,747	61,323,394	56,385,297	52,923,500	48,589,370
Grants and contributions not restricted to specific programs	1,090,223	1,366,367	1,475,176	2,134,062	1,746,170	1,866,779	2,039,519	2,408,457	2,004,454	1,858,756
Investment income	165,135	208,519	214,508	687,434	561,862	796,079	1,115,857	1,649,220	831,755	540,295
Miscellaneous	566,703	451,672					59,250			
Total general revenues	<u>74,281,135</u>	<u>72,110,430</u>	<u>68,986,074</u>	<u>68,076,426</u>	<u>66,347,625</u>	<u>66,534,605</u>	<u>64,478,770</u>	<u>60,502,224</u>	<u>55,759,709</u>	<u>50,988,421</u>
Change in net position	<u>\$ 12,785,235</u>	<u>\$ (171,988)</u>	<u>\$ 12,890,521</u>	<u>\$ 9,836,817</u>	<u>\$ 3,783,329</u>	<u>\$ 10,260,045</u>	<u>\$ 16,012,282</u>	<u>\$ 10,839,657</u>	<u>\$ 10,736,867</u>	<u>\$ 10,095,433</u>

(1) Combined with public works beginning in 2013

Table 3

## Borough of Naugatuck, Connecticut

**Fund Balances, Governmental Funds  
Last Ten Years  
(Modified Accrual Basis of Accounting)  
(Unaudited)**

Fiscal Year Ended June 30

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General fund:										
Nonspendable	\$	\$ 82,534	\$	\$	\$	\$	\$	\$	\$	\$
Committed										
Assigned	1,617,727	935,752	894,875	1,222,243	970,000	1,263,696	1,217,636	1,091,663	455,834	272,970
Unassigned	13,628,371	12,675,673	11,544,524	10,229,826	9,665,816	8,895,345	8,454,584	8,689,542	8,275,919	6,536,703
Total general fund	15,246,098	13,693,959	12,439,399	11,452,069	10,635,816	10,159,041	9,672,220	9,781,205	8,731,753	6,809,673
All other governmental funds:										
Nonspendable	774,262	764,704	31,263	31,265	28,596	27,002	32,295	32,295	639,782	29,668
Restricted	2,174,668	2,557,990	4,415,396	3,942,441	2,475,274	2,254,568		80,596	77,250	76,190
Committed	6,817,549	7,807,506	10,402,252	9,596,186	1,756,655	8,311,584	7,729,023	8,583,962	9,174,968	8,327,212
Assigned	2,493,437	3,575,428	961,623	974,339	2,147,654		2,517,485	1,013,039	768,642	748,037
Unassigned	(19,742,858)	(11,468,528)	(2,453,572)	(2,166,582)		(382,292)				
Total all other governmental funds	(7,482,942)	3,237,100	13,356,962	12,377,649	6,408,179	10,210,862	10,278,803	9,709,892	10,660,642	9,181,107
Grand total	\$ 7,763,156	\$ 16,931,059	\$ 25,796,361	\$ 23,829,718	\$ 17,043,995	\$ 20,369,903	\$ 19,951,023	\$ 19,491,097	\$ 19,392,395	\$ 15,990,780

**Borough of Naugatuck, Connecticut**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Years**  
**(Unaudited)**

	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Property taxes	\$ 71,270,654	\$ 68,075,454	\$ 66,475,472	\$ 64,486,598	\$ 63,441,375	\$ 63,038,783	\$ 60,733,633	\$ 56,471,242	\$ 52,643,474	\$ 48,019,806
Intergovernmental	61,541,987	46,694,128	45,984,042	44,718,963	42,984,713	44,612,070	60,022,573	39,875,405	37,995,395	35,623,704
Charges for services	9,885,492	9,863,725	4,224,863	3,863,841	3,680,449	4,097,559	4,184,361	4,347,716	4,550,641	4,562,359
Income from investments	165,135	208,519	238,788	712,620	561,862	803,469	995,654	1,626,185	1,367,967	1,501,510
Contributions	5,264	321,643								
Miscellaneous	566,703	451,672	5,818,677	6,245,580	5,771,935	6,348,535	8,270,804	5,880,432	5,759,448	5,916,116
<b>Total revenues</b>	<b>143,435,235</b>	<b>125,615,141</b>	<b>122,741,842</b>	<b>120,027,602</b>	<b>116,440,334</b>	<b>118,900,416</b>	<b>134,207,025</b>	<b>108,200,980</b>	<b>102,316,925</b>	<b>95,623,495</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	3,326,984	3,097,272	2,995,463	3,121,755	3,053,276	3,636,122	3,050,098	5,732,773	5,656,496	5,431,922
Public safety	11,318,300	11,207,810	10,921,243	10,105,974	9,812,690	9,872,288	10,864,163	8,757,014	8,061,524	7,993,487
Public works	9,191,775	9,313,325	3,248,983	4,492,055	3,554,115	3,979,949	3,587,290	3,331,577	2,966,884	3,131,313
Health and welfare	2,239,141	2,273,267	5,644,897	5,807,178	5,641,572	5,402,687	5,529,388	5,946,191	5,027,964	5,716,672
Education	73,692,812	69,615,931	69,696,428	66,802,714	68,058,654	68,046,768	79,077,328	60,382,159	57,604,743	53,814,312
Parks and recreation			1,664,117	1,615,035	1,565,342	1,629,828	1,615,355	2,566,327	1,253,072	1,164,469
Nondepartmental	15,258,567	14,541,239	14,896,044	14,825,713	13,339,958	12,817,763	12,609,319	8,572,906	11,379,112	10,648,407
<b>Debt service:</b>										
Principal	2,661,449	2,661,449	4,285,815	4,219,402	4,874,818	4,829,818	5,471,817	5,426,079	4,480,221	4,380,221
Interest	5,133,772	6,573,714	4,337,191	3,233,931	5,247,615	5,191,139	4,876,618	5,205,916	2,655,812	2,803,993
Capital outlay	37,216,437	16,853,121	3,645,355	5,577,149	2,501,667	10,940,123	5,923,501	3,982,343	7,317,853	8,450,162
<b>Total expenditures</b>	<b>160,039,237</b>	<b>136,137,128</b>	<b>121,335,536</b>	<b>119,800,906</b>	<b>117,649,707</b>	<b>126,346,485</b>	<b>132,604,877</b>	<b>109,903,285</b>	<b>106,403,681</b>	<b>103,534,958</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(16,604,002)</b>	<b>(10,521,987)</b>	<b>1,406,306</b>	<b>226,696</b>	<b>(1,209,373)</b>	<b>(7,446,069)</b>	<b>1,602,148</b>	<b>(1,702,305)</b>	<b>(4,086,756)</b>	<b>(7,911,463)</b>
<b>Other financing sources (uses):</b>										
Capital leases - equipment financing	78,322	4,313,430			240,209	5,839,926	728,443	1,512,675	1,028,594	6,210,093
Payment to refunding bond escrow	(17,019,119)	(6,392,319)		(2,525,000)						
Issuance of debt	22,445,000	7,185,000	560,338	5,327,059	2,585,000				10,345,000	
Bond and BAN premiums	1,927,758	156,130								
Sale of Borough capital assets	4,138	21,475								
Transfers in	3,659,680	4,561,711	4,856,541	6,636,584	3,273,284	4,202,106	4,961,370	3,680,889	3,119,099	3,324,998
Transfers out	(3,659,680)	(5,496,347)	(4,856,541)	(7,821,363)	(3,273,285)	(4,202,106)	(4,961,370)	(3,351,092)	(7,633,175)	(3,324,998)
<b>Net other financing sources (uses)</b>	<b>7,436,099</b>	<b>4,349,080</b>	<b>560,338</b>	<b>1,617,280</b>	<b>2,825,208</b>	<b>5,839,926</b>	<b>728,443</b>	<b>1,842,472</b>	<b>6,859,518</b>	<b>6,210,093</b>
<b>Net change in fund balances</b>	<b>\$ (9,167,903)</b>	<b>\$ (6,172,907)</b>	<b>\$ 1,966,644</b>	<b>\$ 1,843,976</b>	<b>\$ 1,615,835</b>	<b>\$ (1,606,143)</b>	<b>\$ 2,330,591</b>	<b>\$ 140,167</b>	<b>\$ 2,772,762</b>	<b>\$ (1,701,370)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.33%</b>	<b>7.79%</b>	<b>7.13%</b>	<b>6.24%</b>	<b>8.63%</b>	<b>7.95%</b>	<b>7.82%</b>	<b>9.70%</b>	<b>6.73%</b>	<b>6.96%</b>

Table 5

Borough of Naugatuck, Connecticut

Assessed and Estimated Actual Value of Taxable Property  
Last Ten Years  
(Unaudited)

Year Ended June 30	Real Property			Personal Property				Totals				
	(1)	(1)	(2)	(1)	(1)	Total Motor Vehicle and Personal Property Assessed Value	Less Exempt Property	Total Motor Vehicle and Personal Property Estimated Actual Value	(1) Total Assessed Value	Total Estimated Actual Value	(2) Percentage of Total Assessed Value to Total Estimated Actual Value	(3) Total Direct Tax Rate
	Residential	Industrial and Commercial	Estimated Value	Motor Vehicle Assessed Value	Personal Property Assessed Value							
2014	\$ 1,086,904,390	\$ 243,311,620	\$ 1,900,308,586	\$ 171,496,829	\$ 109,859,710	\$ 281,356,539	\$ 45,335,770	\$ 401,937,913	\$ 1,566,236,779	\$ 2,237,481,113	70.00%	44.80
2013	1,535,327,400	267,145,920	2,574,961,886	175,429,736	97,374,870	272,804,606	40,288,310	389,720,866	2,034,989,616	2,907,128,023	70.00%	33.55
2012	1,351,917,010	267,468,400	2,313,407,729	166,727,800	92,988,560	259,716,360	31,667,683	371,023,371	1,847,434,087	2,639,191,553	70.00%	32.81
2011	1,530,337,260	267,430,900	2,568,240,229	159,441,577	88,991,220	248,432,797	29,849,398	354,903,996	2,016,351,559	2,880,502,227	70.00%	32.02
2010	1,524,058,660	266,550,110	2,558,012,529	156,316,360	87,278,040	243,594,400	24,951,900	347,992,000	2,009,251,270	2,870,358,957	70.00%	31.52
2009	1,518,229,650	265,309,750	2,547,913,429	163,940,680	101,763,480	265,704,160	38,688,900	379,577,371	2,010,554,660	2,872,220,943	70.00%	31.52
2008	1,024,836,980	192,154,380	1,738,559,086	163,469,200	102,054,370	265,523,570	31,213,390	379,319,386	1,451,301,540	2,073,287,914	70.00%	41.30
2007	1,006,960,600	188,523,960	1,707,835,086	160,619,510	94,215,760	254,835,270	29,510,540	364,050,386	1,420,809,290	2,029,727,557	70.00%	38.80
2006	988,022,830	192,398,670	1,686,316,429	149,851,310	94,503,390	244,354,700	30,970,770	349,078,143	1,393,805,430	1,991,150,614	70.00%	37.10
2005	967,932,330	194,663,190	1,660,850,743	138,654,330	94,644,740	233,299,070	27,619,600	462,982,957	1,368,274,990	1,954,678,557	70.00%	35.40

(1) Assessed values taken from the Board of Assessment Appeals corrected abstracts for the respective year.

(2) Personal property value based on a 70% assessment ratio.

(3) From Table 7.

\* Revaluation year.

## Borough of Naugatuck, Connecticut

Principal Property Taxpayers  
Current Year and Nine Years Ago  
(Unaudited)

Name	Grand List Year 2012			Grand List 2003		
	Assessed Value	Rank	Percentage Net Taxable Grand List	Assessed Value	Rank	Percentage Net Taxable Grand List
Connecticut Light & Power Company	\$ 16,266,200	1	1.04%	\$ 7,862,310	6	0.57%
Connecticut Water Company	16,228,400	2	1.04%	14,970,490	2	1.09%
Yankee Gas	15,535,710	3	0.99%			
Wal-Mart	12,106,160	4	0.77%	6,607,460	7	0.48%
Garden Homes/Horizon Homes	9,215,220	5	0.59%	6,034,460	9	0.44%
Mancinone, John/Mancinone, John Trust	7,989,310	6	0.51%	9,152,520	4	0.67%
Bridge Street Shopping Center LTD	7,393,470	7	0.47%			
Ansonia Acquisitions 1 LLC	6,563,620	8	0.42%			
Southwood Gardens LLC	5,365,990	9	0.34%			
Genesis Health Ventures of	4,641,530	10	0.30%			
GDC Naugatuck, Inc.				8,051,640	5	0.59%
Crosspointe Plaza LLC				6,245,910	8	0.46%
Hershey				18,002,290	1	1.32%
Crompton Mfg.				9,900,180	3	0.72%
Uniroyal Chemical				5,460,650	10	0.40%
	<u>\$101,305,610</u>		<u>6.47%</u>	<u>\$ 92,287,910</u>		<u>6.74%</u>

Based on October 1, 2012 and 2003 net taxable grand list of:

\$1,566,236,779\$1,368,274,990

Source: Borough Assessor Department.

Table 7

**Borough of Naugatuck, Connecticut**  
**Property Tax Rates, Levies and Collections**  
**Last Ten Years**  
**(Unaudited)**

Year Ended June 30	(1) Tax Rate in Mills	Grand List of October 1,	Total Adjusted Tax Levy	Net Current Tax Collections	Percent of Current Levy Collected	Total Collections to Date			
						Collections in Subsequent Years	Total Collections	Percentage of Levy Collected	Current Delinquent Balance
2014	44.80	2012	\$ 70,459,746	\$ 66,914,810	95.0%	\$	\$ 66,914,810	95.0%	\$ 3,544,936
2013	33.55	2011	68,349,828	65,379,078	95.7%	2,970,751	68,349,829	100.0%	1,581,880
2012	32.81	2010*	66,736,730	63,735,946	95.5%	2,858,146	66,594,092	99.8%	1,186,565
2011	32.02	2009	65,004,830	61,925,710	95.3%	2,684,103	64,609,813	99.4%	939,266
2010	31.52	2008	63,490,111	60,673,085	95.6%	2,618,297	63,291,382	99.7%	731,652
2009	31.52	2007	64,326,316	60,469,539	94.0%	2,878,507	63,348,046	98.5%	589,253
2008	41.30	2006	60,525,267	57,664,453	95.3%	2,675,627	60,340,080	99.7%	598,016
2007	38.80	2005*	55,790,777	53,087,905	95.2%	2,518,806	55,606,711	99.7%	433,194
2006	37.10	2004	52,300,193	49,592,731	94.8%	2,392,189	51,984,920	99.4%	288,724
2005	35.40	2003	48,862,627	46,298,075	94.8%	2,390,381	48,688,456	99.6%	272,173

Source: Borough Tax Collector

(1) Tax levy is per \$1,000 of the assessed value of taxable property. There are no overlapping tax rates.

\*Revaluation performed.

Table 8

## Borough of Naugatuck, Connecticut

Ratios of Outstanding Debt by Type  
Last Ten Years  
(Unaudited)

Year Ended June 30	General Obligation Bonds	Pension Bonds	Premium	Notes Payable	Certificates of Participation	Capital Leases	Total	Percentage of Actual Taxable Value of Property	Debt Per Capita
2014	\$ 22,805,000	\$ 39,490,000	\$ 290,315	\$ 1,096,677	\$ 12,445,000	\$ 13,920,541	\$ 90,047,533	4.02%	\$ 2,840
2013	14,115,000	40,535,000		1,383,555	16,610,000	15,903,730	88,547,285	3.05%	2,787
2012	15,405,000	41,525,000		920,004	18,075,000	12,417,175	88,342,179	3.35%	2,773
2011	16,400,000	42,560,000		1,056,034	19,485,000	13,211,611	92,712,645	3.22%	2,910
2010	14,645,000	43,545,000		1,191,651	20,845,000	4,954,859	85,181,510	2.97%	2,668
2009	16,760,000	44,490,000		1,326,865	22,150,000	12,478,734	97,205,599	3.38%	3,044
2008	19,250,000	45,400,000		1,461,683	23,410,000	7,848,564	97,370,247	4.70%	3,049
2007	21,750,000	46,280,000		1,128,503	24,785,000	7,982,631	101,926,134	5.02%	3,205
2006	24,610,000	47,130,000		1,243,724	25,915,000	7,295,348	106,194,072	5.33%	3,339
2005	15,305,000	47,960,000		1,358,945	27,385,000	6,772,728	98,781,673	5.05%	3,106

Note: Details regarding the Borough's outstanding debt can be found in the notes to the financial statements.

Table 9

## Borough of Naugatuck, Connecticut

Ratios of General Bonded Debt Outstanding  
Last Ten Years  
(Unaudited)

Year Ended June 30	General Debt Outstanding				Percentage of Actual Taxable Value of Property	Debt Per Capita
	General Obligation Bonds	Pension Bonds	Premium	Total		
2014	\$ 22,805,000	\$ 39,490,000	\$ 290,315	\$ 62,585,315	4.00%	\$ 1,974
2013	14,115,000	40,535,000		54,650,000	2.69%	1,720
2012	15,405,000	41,525,000		56,930,000	3.08%	1,787
2011	16,400,000	42,560,000		58,960,000	2.92%	1,850
2010	14,645,000	43,545,000		58,190,000	2.90%	1,822
2009	16,760,000	44,490,000		61,250,000	3.05%	1,918
2008	19,250,000	45,400,000		64,650,000	4.45%	2,025
2007	21,750,000	46,280,000		68,030,000	4.79%	2,139
2006	24,610,000	47,130,000		71,740,000	5.15%	2,256
2005	15,305,000	47,960,000		63,265,000	4.62%	1,989

Note: Details regarding the Borough's outstanding debt can be found in the notes to the financial statements.

**Borough of Naugatuck, Connecticut**  
**Schedule of Debt Limitation**  
**Connecticut General Statutes, Section 7-374 (b)**  
**Year Ended June 30, 2014**  
**(Unaudited)**

Tax Base:

Total tax collections (including interest and lien fees) for current year and base for debt limitation computation \$ 71,006,739

Debt limitation:	<u>General Purpose</u>	<u>Schools</u>	<u>Sewer</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
2 1/4 times base	\$ 159,765,163	\$	\$	\$	\$
4 1/2 times base		319,530,326			
3 3/4 times base			266,275,271		
3 1/4 times base				230,771,902	
3 times base					<u>213,020,217</u>
<b>Total debt limitation</b>	<u>159,765,163</u>	<u>319,530,326</u>	<u>266,275,271</u>	<u>230,771,902</u>	<u>213,020,217</u>
<b>Indebtedness:</b>					
Bonds payable	10,075,000	12,730,000			
Taxable bonds payable					39,490,000
Notes payable	450,000		646,677		
Certificates of participation			12,445,000		
Bond anticipation notes		<u>16,000,000</u>			
<b>Total indebtedness</b>	<u>10,525,000</u>	<u>28,730,000</u>	<u>13,091,677</u>	<u>-</u>	<u>39,490,000</u>
<b>Debt limitation in excess of outstanding debt</b>	<u>\$ 149,240,163</u>	<u>\$ 290,800,326</u>	<u>\$ 253,183,594</u>	<u>\$ 230,771,902</u>	<u>\$ 173,530,217</u>
The total net indebtedness above amounts to:					<u>\$ 91,836,677</u>
In no event shall total indebtedness exceed seven time the base for debt limitation computation:					<u>\$ 497,047,173</u>

There is no overlapping debt for the Borough of Naugatuck.

Table 11

## Borough of Naugatuck, Connecticut

**Legal Debt Margin Information  
Last Ten Years  
(Unaudited)**

Year Ended June 30	Debt Limit	Net Debt Applicable To Limit	Legal Debt Margin	Total Net Debt Applicable
2014	\$ 497,047,173	\$ 91,836,677	\$ 405,210,496	18.48%
2013	479,692,388	98,643,555	381,048,833	20.56%
2012	465,881,892	90,342,200	375,539,692	19.39%
2011	451,145,254	100,706,611	350,438,643	22.32%
2010	445,487,557	102,296,677	343,190,880	22.96%
2009	440,452,565	104,720,369	335,732,196	23.78%
2008	430,449,789	104,929,554	325,520,235	24.38%
2007	392,321,230	109,025,256	283,295,974	27.79%
2006	365,103,158	106,713,177	258,389,981	29.23%
2005	338,983,897	107,264,417	231,719,480	31.64%

**Borough of Naugatuck, Connecticut**  
**Demographic and Economic Statistics**  
**Last Ten Years**  
**(Unaudited)**

Year Ended June 30	(1) <u>Population</u>	(5) <u>Personal Income</u>	(2) <u>Per Capita Income</u>	(5) <u>Median Age</u>	(5) <u>Education Level in Years of Schooling</u>	(3) <u>School Enrollment</u>	(4) <u>Unemployment Percentage</u>
2014	31,707 *	\$ 62,550	\$ 28,820	39.3	24% at least 4 yrs of college	4,230	7.2%
2013	31,774	62,550	28,801	36	24% at least 4 yrs of college	4,341	10.1%
2012	31,862	62,550	28,801	36	24% at least 4 yrs of college	4,380	10.0%
2011	31,862	59,472	27,933	36	23% at least 4 yrs of college	4,884	10.6%
2010	31,931	64,313	22,757	35.5	24% at least 4 yrs of college	4,756	11.0%
2009	31,931	63,193	22,757	35.5	24% at least 4 yrs of college	4,785	9.7%
2008	31,931	N/A	22,757	35.5	N/A	4,720	7.0%
2007	31,802	N/A	22,757	35.5	N/A	4,828	5.1%
2006	31,802	N/A	22,757	35.5	N/A	4,987	4.9%
2005	31,802	54,902	22,757	35.5	19% at least 4 yrs of college	5,123	5.3%

(1) Source: State of Connecticut, Department of Health, 1990 Population - U.S. Bureau of Census.

(2) Per Capital Income and Median Age - Figures obtained from the State of Connecticut Census Data Center, U.S. Census Bureau and the Housatonic Council of Elected Officials.

(3) Connecticut Department of Education.

(4) Connecticut Labor Department - Research and Statistics.

(5) Connecticut Economic Resource Center Town Profile.

N/A - Information not available.

\* Estimated

## Borough of Naugatuck, Connecticut

Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

Employer	Nature of Business	2014			2005		
		Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Borough of Naugatuck	Municipality	820	1	5.40%	945	1	6.05%
ION Bank (formerly NSB)	Financial Institution	250	2	1.65%	94	9	0.60%
Wal-Mart	Department Store	210	3	1.38%	210	4	1.35%
Coca-Cola	Distribution Center	170	4	1.12%	183	6	1.17%
Custom Bottle, Inc	Bottle Manufacturer	160	5	1.05%			
Naugatuck Valley Savings & Loan	Financial Institution	136	6	0.90%			
Glendale Center	Health Rehabilitation	130	7	0.86%			
Beacon Brook Health Center	Health Rehabilitation	122	8	0.80%			
Sarracco Mechanical	HVAC Contractors	95	9	0.63%			
The YoFarm Company	Yogurt Products	90	10	0.59%			
Flabeg Technical Glass (Naugatuck Glass)	Glass Manufacturer	84	11	0.55%	117	7	0.75%
RAM Specialty	Manufacturer	75	12	0.49%			
Chemtura	Manufacturer	65	13	0.43%			
Stop & Shop	Supermarket			0.00%			0.00%
General DataComm	Telecommunications				189	5	1.21%
Peter Paul (a division of Hershey Foods)	Confectionery Products				270	2	1.73%
Uniroyal/Crompton Manufacturing	Manufacturing specialty organic chemicals and research and product development				250	3	1.60%
Meyer's Supply	Health and Beauty Supplies				76	10	0.49%
Palco Connector, Inc	Electronic Connectors				65	11	0.42%
Stop & Shop	Supermarket				100	8	0.64%
Total		<u>2,407</u>		<u>15.85%</u>	<u>2,499</u>		<u>16.01%</u>

Source: Connecticut Department of Labor

Table 14

**Borough of Naugatuck, Connecticut**  
**Full-Time Equivalent Employees by Function/Program**  
**Last Ten Years**  
**(Unaudited)**

Function/Program	Full-time Equivalent Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government	96	93	99	95	95	95	99	102	95	93
Police	56	54	54	57	57	58	52	57	56	54
Fire	41	41	38	36	37	37	37	37	36	37
Public works	25	28	31	31	31	32	31	31	31	35
Recreation and Parks	10	14	13	13	13	13	13	13	12	12
Education	592	614	679	682	696	696	679	657	657	631
<b>Total</b>	<b>820</b>	<b>844</b>	<b>914</b>	<b>914</b>	<b>929</b>	<b>931</b>	<b>911</b>	<b>897</b>	<b>887</b>	<b>862</b>

SOURCE: Borough's payroll department.

Table 15

## Borough of Naugatuck, Connecticut

Operating Indicators by Function/Program  
Last Ten Years  
(Unaudited)

Function / Program	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government:										
Building Permits Residential Issued	443	517	548	548	520	505	787	1,017	522	91
Value	5,896,000	6,925,000	6,954,000	6,006,000	6,645,000	6,234,500	18,982,162	16,133,500	17,736,776	13,431,863
Building Permits Commercial Issued	45	38	60	55	48	16	13	20	25	5
Value	2,211,000	45,368,000	8,892,000	8,564,000	3,303,000	2,028,000	4,315,000	2,079,800	1,318,123	3,527,797
Police: (PD records kept on calendar year basis)										
Cases Investigated	36,180	38,247	36,281	36,393	33,458	33,211	34,756	34,483	35,868	34,102
Arrests	808	1,208	1,115	1,967	1,702	1,733	1,472	1,542	1,602	1,330
Infractions	1,894	2,136	1,812	1,418	910	1,597	2,113	1,789	2,542	1,104
Summons	591	613	691	540	572	323	328	455	716	360
Verbal Warnings	3,882	3,953	3,566	3,555	2,001	1,921	1,793	2,360	3,580	2,420
Written Warnings	1,829	2,662	2,230	2,159	1,412	1,630	1,551	1,643	1,918	1,142
Parking Citations	364	586	210	281	628	364	347	318	234	346
Traffic Citations (Total of all MV)	6,075	9,364	8,299	6,524	4,895	5,471	5,785	6,247	8,756	5,026
Homicide	-	-	-	-	-	1	1	1	-	1
Sexual Assaults	16	5	38	24	32	18	27	17	21	24
Assaults	209	163	131	149	145	182	173	124	83	123
Breach of Peace	136	201	259	231	237	226	164	75	49	45
Robbery	11	11	11	11	10	12	10	5	6	12
Burglary	99	103	82	71	75	59	77	84	84	90
Larceny	506	557	487	541	524	476	521	507	524	542
Motor Vehicle Accidents	755	747	726	825	852	846	854	884	903	1,101
EMS Assists	2,697	2,584	2,560	2,433	2,298	2,422	2,576	2,447	2,252	2,361
DUI	172	202	177	193	204	114	115	106	99	82
Domestic Disputes	570	422	611	416	608	650	650	608	575	528
Fire:										
Fire Related Incidents (includes emergency & non-emergency responses)	1,136	1,362	1,719	1,924	1,387	1,243	1,254	1,351	1,280	1,463
Inspection	420	380	366	345	493	402	279	430	N/A	N/A
Refuse Collection:										
Refuse Collected (Tons per Day)	N/A	7,955	8,722	8,732	9,087	9,454	9,646	9,823	9,769	9,619
Recyclables Collected (Tons per Day)	N/A	1,917	1,737	1,643	1,357	1,423	1,440	1,432	1,418	1,441
Other Public Works:										
Street Resurfacing (Miles)	3.00	1.00	3.50	-	4.40	0.90	N/A	1.90	-	4.10
Recreation and Parks:										
Athletic Field Permits Issued	5,446	2,900	3,845	4,170	3,646	2,965	1,791	1,516	-	-
School year program registrations	640	600	570	462	1,373	1,400	1,350	1,634	1,500	1,722
Summer camp registrations	635	400	486	471	450	614	584	647	375	435
Swimming program registrations	N/A	-	200	180	195	213	167	217	119	125
Holiday Village visitors	7,800	8,000	10,500	10,200	10,300	9,450	9,500	11,000	11,500	10,000
Pool visitors	N/A	N/A	4,489	4,625	5,750	6,500	5,800	6,551	6,200	6,125

Sources: Directors of each Department. N/A - Not available.

Table 16

**Borough of Naugatuck, Connecticut**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Years**  
**(Unaudited)**

Function / Program	Fiscal Year Ended June 30										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Recreation and Parks:</b>											
Fields - Municipal	9	9	9	9	9	7	7	7	7	7	7
Fields - Schools	5	5	5	5	5	5	5	5	5	5	5
Playgrounds	1										
Baseball fields	2										
Multi-purpose fields	10										
<b>Public Safety:</b>											
Police Stations	1	1	1	1	1	1	1	1	1	1	1
Fire Stations	2	2	2	2	2	2	2	2	2	2	2
Municipal buildings	10	10	10	10	10	10	9	9	9	9	9
<b>Public Works:</b>											
Highway department:											
Sidewalks (miles)	5	5	5	N/A							
<b>Education:</b>											
Number of High Schools	1	1	1	1	1	1	1	1	1	1	1
Number of Middle Schools	2	2	2	2	2	2	2	2	2	2	2
Intermediate Schools	2	2	2	2	2	2	2	2	2	2	2
Number of Elementary Schools	5	5	6	6	6	6	6	6	6	6	6

Sources: Various Town Departments. N/A - Not available