

TOWN OF EAST HADDAM, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2015

TOWN OF EAST HADDAM, CONNECTICUT
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Independent Auditors' Report

To the Board of Finance
Town of East Haddam, 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 Town of East Haddam, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of East Haddam, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The net position of the Town has been restated to recognize the net pension liability required in implementing both GASB No. 68 and GASB No. 71. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 54 through 57 and supplementary pension information on pages 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of East Haddam, Connecticut, as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated November 5, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying general fund balance sheet as of June 30, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying general fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the Town of East Haddam, 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 Town of East Haddam, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 16, 2015

TOWN OF EAST HADDAM, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

This discussion and analysis of the Town of East Haddam, Connecticut's (the Town) financial performance is provided by management to give an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$75,831,182 (net position). Of this amount, \$15,630,447 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$2,961,883 or 4%. Factors leading to this increase were open space acquisitions, infrastructure improvements and school security improvements (funded by grants).
- During the year, the Town had expenses that were \$2,961,883 less than the \$34,938,082 generated in tax and other revenues for governmental programs.
- The Town's governmental funds reported combined ending fund balances of \$17,286,683, an increase of \$209,001 in comparison with the prior year. Approximately 24% or \$4,174,564 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- The unassigned balance for the General Fund was \$4,468,215 or 15% of the General Fund budgetary expenditures and other financing uses. The total General Fund balance was \$4,744,816, representing an increase of \$323,312.
- As of July 1, 2013, the Reserves for Capital Projects Fund transitioned into a Capital Projects and Reserve Fund. All capital projects and reserves for capital projects are processed through this fund. The total Capital Projects and Reserve Fund balance was \$4,884,775, representing a decrease of \$208,854.
- The Town's long-term debt decreased by \$1,398,635, or 7% due to scheduled repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

In the statement of net position and the statement of activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, public works, health and welfare, recreation and leisure and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

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

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included in the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Board of Education Insurance Internal Service Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's net position increased from \$72,869,299 to \$75,831,182. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION**

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 19,265,423	\$ 18,372,022
Capital assets	76,565,051	75,147,464
Total assets	<u>95,830,474</u>	<u>93,519,486</u>
Deferred outflows of resources	<u>87,477</u>	<u>63,283</u>
Long-term debt outstanding	18,553,803	19,952,438
Other liabilities	1,445,707	761,032
Total liabilities	<u>19,999,510</u>	<u>20,713,470</u>
Deferred inflows of resources	<u>87,259</u>	
Net position:		
Net investment in capital assets	59,760,942	57,015,743
Restricted	439,793	439,793
Unrestricted	<u>15,630,447</u>	<u>15,413,763</u>
Total Net Position	<u>\$ 75,831,182</u>	<u>\$ 72,869,299</u>

Net position of the Town's governmental activities increased by 4%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$15,413,763 to \$15,630,447.

**TABLE 2
CHANGE IN NET POSITION**

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 1,140,247	\$ 1,188,238
Operating grants and contributions	7,426,255	7,454,924
Capital grants and contributions	1,783,666	3,016,523
General revenues:		
Property taxes	23,847,928	22,147,613
Grants and contributions not restricted to specific purposes	147,562	130,551
Unrestricted investment earnings	494,451	1,053,226
Other general revenues	97,983	213,124
Total revenues	34,938,092	35,204,199
Program expenses:		
General government	3,341,914	3,345,573
Public safety	957,856	965,776
Public works	3,085,314	2,638,216
Health and welfare	452,148	434,565
Recreation and leisure	647,851	596,262
Education	22,823,332	23,055,364
Interest on long-term debt	667,794	666,005
Total program expenses	31,976,209	31,701,761
Increase in Net Position	\$ 2,961,883	\$ 3,502,438

The Town's total revenues were \$34,938,092. The total cost of all programs and services was \$31,976,209. Our analysis below considers the operations of governmental activities.

Governmental Activities

Approximately 68% of the Town's revenues were derived from property taxes, followed by 21% from operating grants and contributions, 5% for capital grants and contributions and then 3% from charges for services.

The mill rate for fiscal year 2015 was 27.90. The mill rate for fiscal year 2014 was 26.01.

For Governmental Activities, approximately 71% of the Town's expenditures related to education, followed by 10% related to public works and 10% related to general government.

Governmental Activities

Table 3 presents the cost of each of the Town's largest programs - general government, public safety, public works, health and welfare, recreation and leisure and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General government	\$ 3,341,914	\$ 3,345,573	\$ 2,969,601	\$ 2,906,547
Public safety	957,856	965,776	827,307	796,662
Public works	3,085,314	2,638,216	1,340,510	1,444,888
Health and welfare	452,148	434,565	426,157	412,060
Recreation and leisure	647,851	596,262	443,392	(1,397,619)
Education	22,823,332	23,055,364	14,951,280	15,213,533
Other	667,794	666,005	667,794	666,005
Totals	<u>\$ 31,976,209</u>	<u>\$ 31,701,761</u>	<u>\$ 21,626,041</u>	<u>\$ 20,042,076</u>

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$17,286,683, which is an increase of \$209,001 from last year's total of \$17,077,682.

General Fund Budgetary Highlights

The Town realized a reduction in General Fund interest income; a continued reflection of interest rates in a recessionary economy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the Town had \$76.6 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and roads (see Table 4). The increase (including additions and deductions) of \$1.4 million was primarily due to open space acquisitions, infrastructure improvements and school security improvements (funded by grants).

TABLE 4
CAPITAL ASSETS, Net of Depreciation
(In Thousands)

	Governmental	
	Activities	
	2015	2014
Land	\$ 9,734	\$ 8,594
Building and improvements	50,396	50,808
Furniture and equipment	2,948	3,065
Infrastructure	12,554	12,428
Construction in progress	933	252
Totals	<u>\$ 76,565</u>	<u>\$ 75,147</u>

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

TABLE 5
OUTSTANDING DEBT, AT YEAR END

	Governmental	
	Activities	
	2015	2014
General obligation bonds	\$ 14,950,000	\$ 16,050,000
Notes payable	<u>1,787,174</u>	<u>2,009,351</u>
Total	<u>\$ 16,737,174</u>	<u>\$ 18,059,351</u>

At June 30, 2015, the Town had \$16.7 million in bonds and notes outstanding versus \$18 million last year.

The State limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$167 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when adopting the fiscal year 2015-2016 General Fund budget.

Revenues: The Town anticipated revenues from state, federal and local sources remaining flat. The budget includes no reliance on the general fund to balance the budget. The budget provides for an increase in property taxes of \$773 thousand or 3.3%. The mill rate increased by .78. The mill rate for fiscal year 2015-2016 is 28.68.

Expenses: The expenditure budget for 2015-2016 is \$30,288,121 or an increase of \$689 thousand. The increase is attributed to improved public safety, support of Education (\$657 thousand increase) and increased reserving for future capital projects.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, 7 Main Street, East Haddam, Connecticut 06423.

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 8,995,336
Investments	7,665,243
Receivables, net	2,600,063
Inventory	4,781
Capital assets not being depreciated	10,667,452
Capital assets being depreciated, net	65,897,599
Total assets	<u>95,830,474</u>
Deferred Outflows of Resources:	
Changes related to pension actuarial experience	21,460
Changes related to actuarial assumptions	4,660
Employer contributions made subsequent to the measurement date	61,357
Total deferred outflows of resources	<u>87,477</u>
Liabilities:	
Accounts and other payables	1,250,146
Unearned revenue	195,561
Noncurrent liabilities:	
Due within one year	1,843,357
Due in more than one year	16,710,446
Total liabilities	<u>19,999,510</u>
Deferred Inflows of Resources:	
Changes in projected investment earnings	<u>87,259</u>
Net Position:	
Net investment in capital assets	59,760,942
Restricted for trust purposes	439,793
Unrestricted	15,630,447
Total Net Position	<u>\$ 75,831,182</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 3,341,914	\$ 338,063	\$ 5,870	\$ 28,380	\$ (2,969,601)
Public safety	957,856	122,008	8,541		(827,307)
Public works	3,085,314	213,121		1,531,683	(1,340,510)
Health and welfare	452,148	5,033	20,958		(426,157)
Recreation and leisure	647,851	187,069	12,390	5,000	(443,392)
Education	22,823,332	274,953	7,378,496	218,603	(14,951,280)
Interest on long-term debt	667,794				(667,794)
Total	\$ 31,976,209	\$ 1,140,247	\$ 7,426,255	\$ 1,783,666	(21,626,041)
General revenues:					
Property taxes					23,847,928
Grants and contributions not restricted to specific programs					147,562
Unrestricted net investment income					494,451
Other					97,983
Total general revenues					<u>24,587,924</u>
Change in net position					2,961,883
Net Position at Beginning of Year, as Restated					<u>72,869,299</u>
Net Position at End of Year					<u>\$ 75,831,182</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,978,472	\$ 6,460,174	\$ 54,506	\$ 446,777	\$ 8,939,929
Investments			6,683,854	981,389	7,665,243
Receivables, net	930,988	1,477,853		191,222	2,600,063
Due from other funds	3,532,788			204,801	3,737,589
Other				4,781	4,781
Total Assets	<u>\$ 6,442,248</u>	<u>\$ 7,938,027</u>	<u>\$ 6,738,360</u>	<u>\$ 1,828,970</u>	<u>\$ 22,947,605</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 890,732	\$ 82,359	\$ -	\$ 162,080	\$ 1,135,171
Due to other funds	204,801	2,970,893		561,895	3,737,589
Unearned revenue	9,298			186,263	195,561
Total liabilities	<u>1,104,831</u>	<u>3,053,252</u>	<u>-</u>	<u>910,238</u>	<u>5,068,321</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	579,601				579,601
Unavailable revenue - loans receivable	13,000				13,000
Total deferred inflows of resources	<u>592,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>592,601</u>
Fund balances:					
Nonspendable			400,000	44,574	444,574
Restricted			6,338,360	1,072,003	7,410,363
Committed		4,884,775		50,549	4,935,324
Assigned	276,601			45,257	321,858
Unassigned	4,468,215			(293,651)	4,174,564
Total fund balances	<u>4,744,816</u>	<u>4,884,775</u>	<u>6,738,360</u>	<u>918,732</u>	<u>17,286,683</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,442,248</u>	<u>\$ 7,938,027</u>	<u>\$ 6,738,360</u>	<u>\$ 1,828,970</u>	<u>\$ 22,947,605</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:
 Amounts reported for governmental activities in the statement of net position (Exhibit I) are
 different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 17,286,683
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Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 101,911,806	
Less accumulated depreciation	<u>(25,346,755)</u>	
Net capital assets		76,565,051

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

Property tax receivables greater than 60 days	436,887
Interest receivable on property taxes	142,714
Loans receivable	13,000
Deferred outflows related to actuarial assumptions	4,660
Deferred outflows related to pension actuarial experience	21,460
Deferred outflows for contributions made subsequent to measurement date	61,357

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

46,419

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

Bonds and notes payable	(16,737,174)
Interest payable on bonds and notes	(105,987)
Compensated absences	(1,066,565)
Bond premium	(66,935)
Termination benefits	(171,509)
Net OPEB obligation	(103,841)
Deferred inflows related to changes in projected investment earnings	(87,259)
Net pension liability	<u>(407,779)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 75,831,182</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 23,870,943	\$	\$	\$	\$ 23,870,943
Intergovernmental	6,731,006	960,133		1,213,051	8,904,190
Charges for services	569,862			497,523	1,067,385
Income on investments	19,711	22,571	420,307	31,862	494,451
Miscellaneous	298,394			321,819	620,213
Total revenues	<u>31,489,916</u>	<u>982,704</u>	<u>420,307</u>	<u>2,064,255</u>	<u>34,957,182</u>
Expenditures:					
Current:					
General government	3,327,518			9,275	3,336,793
Public safety	900,656				900,656
Public works	1,905,320			556,918	2,462,238
Health and welfare	380,661			34,841	415,502
Recreation and leisure	449,489			125,680	575,169
Education	20,920,432		47,073	1,304,950	22,272,455
Debt service	2,008,575				2,008,575
Capital outlay		2,742,282		34,511	2,776,793
Total expenditures	<u>29,892,651</u>	<u>2,742,282</u>	<u>47,073</u>	<u>2,066,175</u>	<u>34,748,181</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,597,265</u>	<u>(1,759,578)</u>	<u>373,234</u>	<u>(1,920)</u>	<u>209,001</u>
Other Financing Sources (Uses):					
Transfers in	309,271	1,550,724		32,500	1,892,495
Transfers out	<u>(1,583,224)</u>		<u>(279,845)</u>	<u>(29,426)</u>	<u>(1,892,495)</u>
Total other financing sources (uses)	<u>(1,273,953)</u>	<u>1,550,724</u>	<u>(279,845)</u>	<u>3,074</u>	<u>-</u>
Net Change in Fund Balances	323,312	(208,854)	93,389	1,154	209,001
Fund Balances at Beginning of Year	<u>4,421,504</u>	<u>5,093,629</u>	<u>6,644,971</u>	<u>917,578</u>	<u>17,077,682</u>
Fund Balances at End of Year	<u>\$ 4,744,816</u>	<u>\$ 4,884,775</u>	<u>\$ 6,738,360</u>	<u>\$ 918,732</u>	<u>\$ 17,286,683</u>

(Continued on next page)

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 209,001
---	------------

Governmental funds report capital outlays as expenditures and donations of capital assets as revenues. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,871,542
Depreciation expense	(1,453,955)

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

Property tax receivable - accrual basis change	(41,349)
Property tax interest and lien revenue - accrual basis change	18,334

Change in deferred outflows related to pension actuarial experience and assumptions	26,120
Change in deferred outflows related to contributions made subsequent to the measurement date	(1,900)

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

Bonds and notes principal payments	1,322,177
Bond premiums amortized	5,435

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

Compensated absences	8,639
Accrued interest	13,169
Termination payments	(28,942)
Change in deferred inflows related to changes in projected investments earnings	(87,259)
Change in net pension liability	98,948
Net OPEB expense	(7,648)

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

	<u>9,571</u>
Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 2,961,883</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015**

	Governmental Activities
	Internal
	Service Funds
Assets:	
Cash and cash equivalents	\$ 55,407
Liabilities:	
Accounts and other payables	<u>8,988</u>
Net Position:	
Unrestricted	<u>\$ 46,419</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Employer contribution	\$ 24,983
Employee contribution	<u>42,387</u>
Total operating revenues	<u>67,370</u>
Operating Expenses:	
Administrative expense	4,985
Employee benefits	<u>52,814</u>
Total operating expenses	<u>57,799</u>
Operating Income	9,571
Net Position at Beginning of Year	<u>36,848</u>
Net Position at End of Year	<u>\$ 46,419</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from employees and employer	\$ 67,370
Cash payments to providers of benefits and administration	<u>(59,381)</u>
Net cash provided by operating activities	<u>7,989</u>
Net Increase in Cash and Cash Equivalents	7,989
Cash and Cash Equivalents at Beginning of Year	<u>47,418</u>
Cash and Cash Equivalents at End of Year	<u>\$ 55,407</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 9,571
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in accounts payable	<u>(1,582)</u>
Net Cash Provided by Operating Activities	<u>\$ 7,989</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 140,806	\$ 348,260
Investments	3,311,376	
Receivables	<u>7,605</u>	
Total assets	3,459,787	<u><u>\$ 348,260</u></u>
Liabilities:		
Accounts and other payables		<u><u>\$ 348,260</u></u>
Net Position:		
Held in Trust for Pension Benefits	<u><u>\$ 3,459,787</u></u>	

The accompanying notes are an integral part of the financial statements

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

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 206,778
Plan members	<u>186,691</u>
Total contributions	<u>393,469</u>
Investment income:	
Net increase in fair value of investments	45
Interest and dividends	<u>95,075</u>
Net investment income	<u>95,120</u>
Total additions	<u>488,589</u>
Deductions:	
Benefits	227,150
Administration	<u>10,021</u>
Total deductions	<u>237,171</u>
Net Increase	251,418
Net Position at Beginning of Year	<u>3,208,369</u>
Net Position at End of Year	<u>\$ 3,459,787</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town operates under the provisions of the Connecticut General Statutes. The form of government includes a Board of Selectmen consisting of a First Selectman, who is the chief administrative and executive official of the Town, and two other members. The Board of Selectmen and the Town Meeting have the legislative power of the Town and may enact ordinances consistent with the General Statutes. A nine-member Board of Education is responsible for the operation of the public school system.

A six-member Board of Finance is responsible for presenting fiscal operating budgets for Town Meeting approval. The Treasurer receives all money belonging to the Town and makes expenditures based upon the appropriate authority.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds 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.

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

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

The Capital Projects and Reserve Fund is used to set aside funds for future capital purchases. The major sources of revenue for this fund are intergovernmental receipts and bond proceeds.

The A.E. Purple Fund is used to account for funds donated to the Town by A.E. Purple to be used for educational purposes. The major sources of revenue for this fund are income on investments.

Additionally, the Town reports the following fund types:

The Internal Service Funds account for the self-insured dental plan for Board of Education employees.

The Pension Trust Funds account for the activities of the East Haddam Pension Plans, which accumulate resources for pension benefit payments to qualified Town and Board of Education employees, as well as volunteer firefighters.

The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Student Activity Fund, Performance Bonds and Driveway Bonds are the Town's agency funds.

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

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to customers for benefits. Operating expenses for the Internal Service Funds include the cost of benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

Property taxes are assessed as of October 1 and billed the following July. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are filed on delinquent taxes by June 30 each year. Interest is charged on delinquent taxes at the rate of 1.5% per month (18% per year). An amount of \$20,344 has been established as an allowance for uncollectible taxes. At June 30, 2015, this represents 4.17% of all property taxes receivable.

F. Inventories and Prepaid Items

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

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Furniture and equipment	5-20
Public domain infrastructure	20-50

H. Deferred Outflows/Inflows of Resources

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

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

I. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The liability for accumulated vacation and sick pay earned as of June 30, 2015 is reflected in the government-wide statement of net position.

Town and noncertified Board of Education employees are granted vacation and sick leave based upon length of employment. In the event of termination, employees are compensated for accumulated vacation and, depending on the terms of their union contract, sick time. At year end, accumulated vacation and unused sick leave was valued at \$1,066,565. The General Fund generally funds the cost associated with compensated absences.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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 any significant applicable bond premium or discount. Significant bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

K. Equity

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

Net Investment in Capital Assets

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

Restricted

Net position is restricted because the restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has assets under restriction in the A.E. Purple Fund, the Scholarship Trust Fund and the Cemetery Trust.

Unrestricted

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of East Haddam Board of Finance).

Assigned Fund Balance

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

Unassigned Fund Balance

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

L. Termination Benefits

Upon the death or retirement from the teaching profession, a teacher who has been in the East Haddam School System for 20 or more years of active service shall be paid the equivalent of one-half of his or her accumulated sick leave. The teacher will be paid at the beginning of the next fiscal year. The maximum benefit available cannot exceed 40% of the salary schedule pay for the highest step of the MA column. Termination benefits as of June 30, 2015 totaled \$171,509. Payment will be paid over three fiscal years.

M. Net Pension Liability

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

N. Net OPEB Obligations

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the Town’s contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as a noncurrent liability, accordingly, in the government-wide financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The General Fund budget is prepared in accordance with the Connecticut General Statutes.

The First Selectman distributes forms to Town Officials, who compile annual budget requests and return them to the First Selectman. The Board of Selectman prepares its budget document and submits it to the Board of Finance. The Board of Finance reviews all general government budgets with the Board of Selectmen.

The Board of Education prepares its budget document and submits it to the Board of Finance. After reviewing requested expenditures and estimating revenues, the Board of Finance prepares a budget for public hearing. The legal budget is at the departmental level. Following the hearing, the Board meets in public session to prepare a recommended budget for the Town Meeting and referendum. When the budget is approved, the Board of Finance sets the tax rate.

The General Statutes provide the manner that is to be utilized by the Town Meeting in acting upon the budget, as well as the procedures to be utilized for additional appropriations during the year.

Funds for any additional appropriations or any emergency appropriations are drawn as directed by the Board of Finance from any available fund balance, an approved contingency fund or funds received or to be received from state, federal or other sources.

There were no supplemental appropriations during the year, and no appropriations were carried over to fiscal year 2015.

The General Fund budget is prepared on a modified accrual basis of accounting except for four items as follows:

- 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 reflected in budgetary reports as expenditures in the current year.
- The budget for payroll expenditures is prepared on a cash basis. Accrued payroll has been recorded as expenditures (Exhibit IV) in accordance with GAAP.
- The Town does not budget for revenue or expenditures for pension contributions made by the State of Connecticut for East Haddam teachers. The amount of this contribution was \$1,797,256.
- The Maintenance, Technology and Grange Hall Funds are combined for financial reporting purposes and are not budgeted within the General Fund.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Expenditures over Appropriations

Several individual lines within the General Fund budget in which expenditures exceeded appropriations were due to additional administrative costs, staffing reassignments, weather costs and insurance costs and are shown in the following budget lines:

<u>Department</u>	<u>Amount</u>
Insurance	\$ 5,925
Legal services	48,346
Conservation Commission	178
Animal Control	26,759
Debt Service	886
Snow removal	74,513
Public libraries	583
Health District	<u>200</u>
 Total	 \$ <u><u>157,390</u></u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$8,687,832 of the Town’s bank balance of \$9,968,305 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,769,049
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>918,783</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 8,687,832</u>

Cash Equivalents

At June 30, 2015, the Town’s cash equivalents amounted to \$56,297. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard & Poor’s</u>
State Short-Term Investment Fund (STIF)	AAAm

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Investments

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

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of deposit	*	\$ 228,086	\$ 228,086	\$	\$
Corporate bonds	AA-	8,014		8,014	
Corporate bonds	A+	27,834		27,834	
Corporate bonds	A	25,093		25,093	
Corporate bonds	A-	13,990		13,990	
Corporate bonds	BBB+	2,028		2,028	
Corporate bonds	BBB	7,505		7,505	
U.S. Government obligations	N/A	<u>590,027</u>	<u>79,191</u>	<u>488,559</u>	<u>22,277</u>
Total		902,577	<u>\$ 307,277</u>	<u>\$ 573,023</u>	<u>\$ 22,277</u>
Other investments:					
Common stock	N/A	3,552,286			
Pension investments held by insurance company	N/A	3,311,379			
Mutual funds	N/A	1,606,852			
Alternative investments	N/A	<u>1,603,525</u>			
Total		<u>\$ 10,976,619</u>			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A - Not applicable

Interest Rate Risk

The Town limits Palmer Fund investment maturities for a single security at 30 years and a weighted average portfolio at 15 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk

The Town limits investments with respect to the Palmer Fund and A.E. Purple Fund in any one issuer that is in excess of 5% and 10%, respectively, of the Town's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2015, the Town had \$3,552,286 uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 142,714	\$	\$	\$ 142,714
Taxes	488,047			488,047
Accounts	209,243		102,212	311,455
Intergovernmental	111,328	1,477,853	96,615	1,685,796
Gross receivables	<u>951,332</u>	<u>1,477,853</u>	<u>198,827</u>	<u>2,628,012</u>
Less allowance for uncollectibles	<u>(20,344)</u>			<u>(20,344)</u>
Net Total Receivables	<u>\$ 930,988</u>	<u>\$ 1,477,853</u>	<u>\$ 198,827</u>	<u>\$ 2,607,668</u>

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,594,141	\$ 1,139,978	\$	\$ 9,734,119
Construction in progress	251,981	707,430	(26,078)	933,333
Total capital assets not being depreciated	<u>8,846,122</u>	<u>1,847,408</u>	<u>(26,078)</u>	<u>10,667,452</u>
Capital assets being depreciated:				
Buildings and improvements	64,567,195	263,979		64,831,174
Furniture and equipment	7,488,024	276,024		7,764,048
Infrastructure	18,138,923	510,209		18,649,132
Total capital assets being depreciated	<u>90,194,142</u>	<u>1,050,212</u>	<u>-</u>	<u>91,244,354</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,759,485)	(675,630)		(14,435,115)
Furniture and equipment	(4,422,596)	(393,890)		(4,816,486)
Infrastructure	(5,710,719)	(384,435)		(6,095,154)
Total accumulated depreciation	<u>(23,892,800)</u>	<u>(1,453,955)</u>	<u>-</u>	<u>(25,346,755)</u>
Total capital assets being depreciated, net	<u>66,301,342</u>	<u>(403,743)</u>	<u>-</u>	<u>65,897,599</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,147,464</u>	<u>\$ 1,443,665</u>	<u>\$ (26,078)</u>	<u>\$ 76,565,051</u>

**TOWN OF EAST HADDAM, CONNECTICUT
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Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 57,333
Public safety	113,483
Public works	623,362
Health and welfare	32,769
Recreation and leisure	54,778
Education	<u>572,230</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>1,453,955</u>

There are no construction commitments at June 30, 2015.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through the General Fund on behalf of other funds. A summary of interfund balances as of June 30, 2015 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 204,801
General Fund	Reserve for Capital Projects	2,970,893
General Fund	Nonmajor governmental funds	<u>561,895</u>
		 \$ <u>3,737,589</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Nonmajor Governmental</u>	
Transfers out:				
General Fund	\$	\$ 1,550,724	\$ 32,500	\$ 1,583,224
A.E. Purple Fund	279,845			279,845
Nonmajor governmental funds	<u>29,426</u>	<u>-</u>		<u>29,426</u>
 Total	 \$ <u>309,271</u>	 \$ <u>1,550,724</u>	 \$ <u>32,500</u>	 \$ <u>1,892,495</u>

All transfers represent routine recurring transactions to move resources from one fund to another.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 16,050,000	\$	\$ 1,100,000	\$ 14,950,000	\$ 1,100,000
Clean water notes	164,351		82,177	82,174	82,174
Notes payable	1,845,000		140,000	1,705,000	195,000
Bond premiums	72,370		5,435	66,935	
Total bonds payable	<u>18,131,721</u>	<u>-</u>	<u>1,327,612</u>	<u>16,804,109</u>	<u>1,377,174</u>
OPEB liability	96,193	7,648		103,841	
Net pension liability	506,727		98,948	407,779	
Compensated absences	1,075,204	11,214	19,853	1,066,565	379,156
Termination benefits	<u>142,567</u>	<u>123,855</u>	<u>94,913</u>	<u>171,509</u>	<u>87,027</u>
Governmental Activity Long-Term Liabilities	<u>\$ 19,952,412</u>	<u>\$ 142,717</u>	<u>\$ 1,541,326</u>	<u>\$ 18,553,803</u>	<u>\$ 1,843,357</u>

A schedule of bonds and notes outstanding at June 30, 2015 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2015</u>
Bonds and notes:					
General obligation	2010	2031	2.0-3.75	\$ 1,688,705	\$ 1,424,105
School	2010	2031	2.0-3.75	2,136,298	1,800,895
School	2008	2028	3.5-4.7	16,150,000	11,374,573
Open space	2008	2028	3.5-4.7	500,000	350,427
Sewer	1997	2016	3.9-4.6	1,561,364	82,174
Notes payable	2013	2024	1.5-2.5	2,395,000	<u>1,705,000</u>
Total Outstanding					<u>\$ 16,737,174</u>

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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The following is a schedule of principal and interest requirements to maturity:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,377,174	\$ 617,091
2017	1,320,000	576,419
2018	1,330,000	532,794
2019	1,330,000	479,094
2020	1,320,000	431,982
2021-2025	6,210,000	1,448,131
2026-2030	3,625,000	359,420
2031-2032	225,000	4,219
	<u>\$ 16,737,174</u>	<u>\$ 4,449,150</u>

A summary of bonds authorized unissued is presented below:

<u>Project</u>	<u>Authorization</u>	<u>Bonds and Notes Issued</u>	<u>Authorized Unissued</u>
Open Space	\$ 5,000,000	\$ 3,798,705	\$ 1,201,295
Middle School Project	34,448,000	18,836,295	15,611,705 *
Clean Water Fund	1,577,048	1,561,364	15,684
Municipal Property	235,000	235,000	-
Total	<u>\$ 41,260,048</u>	<u>\$ 24,431,364</u>	<u>\$ 16,828,684</u>

*The authorized unissued amount is reduced by grants received by the State of Connecticut.

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

<u>Category</u>	<u>Debt Limitation*</u>	<u>Indebtedness**</u>	<u>Balance</u>
General purpose	\$ 53,674	\$ 4,681	\$ 48,993
Schools	107,348	13,175	94,173
Sewers	89,456	98	89,358
Urban renewal	77,529		77,529
Pension deficit	71,565		71,565

*In no case shall total indebtedness exceed seven times annual receipts from taxation (\$166,985).

**Indebtedness includes bonds authorized unissued of \$16 related to the Clean Water Fund, and \$1,201 related to open space.

Accrued sick and vacation pay for general government operations is \$312,342, and the amount for the Board of Education is \$754,223. This is a decrease of \$8,639 from the previous year. The Board of Education has liabilities of \$171,509 related to retirement incentives and sick pay buyouts at retirement.

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

The Board of Education has a self-insurance plan for dental expenses. Estimated amounts to pay claims are paid into an Internal Service Fund and are available to pay claims and to establish claim reserves of the program. During fiscal year 2015, expenses of \$52,814 were incurred for benefits, insurance premiums and administration. Incurred but not reported health claims of \$8,988 have been accrued as a liability based upon an estimate of historical claim activity by the Plan Administrator.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The following table reflects the activity of the past two years:

	<u>Claims Payable July 1</u>		<u>Claims and Changes in Estimates</u>		<u>Claims Paid</u>		<u>Claims Payable June 30</u>
2013-2014	\$ 9,494	\$	65,996	\$	64,920	\$	10,570
2014-2015	10,570		52,814		54,396		8,988

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Firefighters Incentive Plan

Plan Description and Benefits Provided

The Volunteer Fire Department Incentive Plan (Incentive Plan) is a defined benefit pension plan administered by the Town to provide benefits for active Volunteer Firefighters who were members of the of East Haddam Volunteer Fire Department prior to December 31, 2011. Plan provisions are established and amended by ordinance requiring Board of Selectman and Town Meeting approval. The pension plan is part of the Town’s financial reporting entity and is accounted for as a pension trust fund. The plan does not issue separate, stand-alone financial reports.

As of June 30, 2015, the plans membership consisted of :

Retiree and beneficiaries currently receiving benefits	8
Inactive with deferred benefits	6
Current active members	<u>28</u>
Total	<u><u>42</u></u>

Management of the plan rests with the Firefighters Pension Committee, which consists of a member of the Board of Selectmen, a member of the Board of Finance, an officer of the fire department, a member at large and a member of the Board of Fire Commissioners.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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Summary of Significant Accounting Policies

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements, and investment income is recognized when earned. Expenses (benefits and administration) are recognized when due and payable in accordance with the terms of the plan.

The plan was previously funded by life insurance policies owned by the members. During the fiscal year, all of these policies were cashed and deposited into an investment account on behalf of the plan members. The value of the life insurance policies are shown as employee contributions.

Investments are valued at fair value, based upon quoted market prices. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized as earned.

Volunteer firefighters will be eligible for accrued benefits on their normal retirement date, provided they have completed at least five active years of service in accordance with plan provision by December 31, 2011.

Funding Policy

The Town's current funding policy for pension obligations mirrors the benefits earned during the year. The monthly retirement benefit is \$15 per year for the first 20 years of credited service; thereafter, \$10 per year for the next 10 years of credited service; thereafter \$4 per year for the next 10 years of credited service.

Investments

Investment Policy

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

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	30.0%
Domestic equity	55.0%
International equity	10.0%
Real estate	0.0%
Cash	<u>5.0%</u>
Total	<u><u>100.0%</u></u>

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
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Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Total pension liability	\$ 656,689
Plan fiduciary net position	<u>(493,177)</u>
Town's Net Pension Liability	<u>\$ 163,512</u>
 Plan fiduciary net position as a percentage of the total pension liability	 75.10%

Actuarial Assumptions

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

Inflation	0.00%
Salary increases	N/A
Investment rate of return	5.49%

Mortality rates were based on the RP-2014 Blue Collar mortality table generationally using MP 2015.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - 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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	0.4%
Domestic equity	5.0%
International equity	7.5%
International fixed income	1.5%
Cash	0.0%

**TOWN OF EAST HADDAM, CONNECTICUT
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Discount Rate

The discount rate used to measure the total pension liability was 5.49%. 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 Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate changed from 5.47% as of June 30, 2014 to 5.49% as of the June 30, 2015 measurement date.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 622,001	\$ 456,899	\$ 165,102
Changes for the year:			
Service cost	9,420		9,420
Interest on total pension liability	33,560		33,560
Differences between expected and actual experience	23,844		23,844
Changes in assumptions	3,144		3,144
Employer contributions		64,601	(64,601)
Net investment income		16,978	(16,978)
Benefit payments, including refund to employee contributions	(35,280)	(35,280)	-
Administrative expenses		(10,021)	10,021
Net changes	34,688	36,278	(1,590)
Balances as of June 30, 2015	\$ 656,689	\$ 493,177	\$ 163,512

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

The following presents the net pension liability of the Town, calculated using the discount rate of 5.49%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.49%) or 1 percentage point higher (6.49%) than the current rate:

	1% Decrease (4.49%)	Current Discount Rate (5.49%)	1% Increase (6.49%)
Town's Net Pension Liability	\$ 251,019	\$ 163,512	\$ 90,191

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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

For the year ended June 30, 2015, the Town recognized pension expense of \$26,548. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Employees' Pension Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,460	\$
Changes of assumptions	4,660	
Net difference between projected and actual earning on pension plan investments	<u> </u>	<u>9,048</u>
Total	<u>\$ 26,120</u>	<u>\$ 9,048</u>

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

Year Ended June 30

2016	\$	(674)
2017		(674)
2018		(674)
2019		4,682
2020		2,927
Thereafter		11,485

B. Municipal Employees' Retirement Fund (Savings Plan)

The Municipal Employees' Retirement Fund (Savings Plan) is a defined contribution individual savings account plan. The plan, effective July 1, 1986, covers all full-time Town employees and noncertified school employees who work over 500 hours annually, except for those employees who are covered under the State of Connecticut Municipal Employees' Retirement System. Contributions to the plan are made both by the Board of Education and Town (4.5% and 5.0%, respectively, of annual compensation) and the employee (minimum 2.0-3.5% of annual compensation to a maximum 13%). Currently, there are 78 members participating in the plan. Benefits are vested at 20% after the first two years and 20% each year thereafter, with 100% vesting after six years. Normal retirement age is 65 with provisions for early retirement. The participants are funding individual savings accounts and they have several options as to the method of receiving pension benefits (i.e., lump sum, annuity, etc.). During the year, the employees contributed \$189,604 and employer contributions were \$142,422 to the plan. These amounts represent 5.9% and 4.4%, respectively, of covered payroll of \$3,229,179. Total Town and Board of Education payroll amounted to \$11,760,222.

**TOWN OF EAST HADDAM, CONNECTICUT
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The plan was created by the authority of the Board of Selectmen and can be amended by that Board. This plan is reported as a Pension Trust Fund in this report. The plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. All investments are invested and administered by the Sentry Insurance Company and are reported at fair value. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

C. Financial Information for Separate Plans

Statement of Net Position

	Pension Trust Funds		
	Employee Savings Plan	Firefighters Incentive Plan	Total Trust Funds
Assets:			
Cash and cash equivalents	\$ 84,081	\$ 56,725	\$ 140,806
Investments	2,882,529	428,847	3,311,376
Receivables	<u>7,605</u>	<u>7,605</u>	<u>7,605</u>
Total assets	<u>2,966,610</u>	<u>493,177</u>	<u>3,459,787</u>
Net Position:			
Held in Trust for Pension Benefits	<u>\$ 2,966,610</u>	<u>\$ 493,177</u>	<u>\$ 3,459,787</u>

Statement of Changes in Plan Assets

	Pension Trust Funds		
	Employee Savings Plan	Firefighters Incentive Plan	Total Trust Funds
Additions:			
Contributions:			
Employer	\$ 142,177	\$ 64,601	\$ 206,778
Plan members	186,691		186,691
Total contributions	<u>328,868</u>	<u>64,601</u>	<u>393,469</u>
Investment income:			
Net increase in fair value of investments		45	45
Interest and dividends	78,142	16,933	95,075
Net investment income	<u>78,142</u>	<u>16,978</u>	<u>95,120</u>
Total additions	<u>407,010</u>	<u>81,579</u>	<u>488,589</u>
Deductions:			
Benefits	191,870	35,280	227,150
Administration	<u>10,021</u>	<u>10,021</u>	<u>10,021</u>
Total deductions	<u>191,870</u>	<u>45,301</u>	<u>237,171</u>
Change in Net Position	215,140	36,278	251,418
Net Position at Beginning of Year	<u>2,751,470</u>	<u>456,899</u>	<u>3,208,369</u>
Net Position at End of Year	<u>\$ 2,966,610</u>	<u>\$ 493,177</u>	<u>\$ 3,459,787</u>

D. Length of Service Award Plan

Effective January 1, 2012, the Town created a Length of Service Award Plan for Volunteer Members of East Haddam's Volunteer Fire Department (LOSAP). The LOSAP is a defined contribution plan that provides length of service awards to most active volunteer members of the Fire Department. Contribution provisions and benefit provisions of the LOSAP are established by and can be amended by the Board of Finance and Board of Selectmen.

LOSAP covers individuals who perform fire and prevention services without compensation who are over the age of 18 and who were not members of the department on or before December 31, 2011. These individuals are able to enter into the plan when they have reached one year of volunteer service under the plan provisions and are in good standing with the department. Individuals who were members of the department on or before December 31, 2011 are eligible for the plan if they have not received benefits under the Town's Volunteer Incentive Plan and who have five or less years of credited service. Participants opting into this plan, if they were members prior to December 31, 2011, must waive all future benefits with the incentive plan.

Active members in the plan will receive benefits of \$500 for each of the volunteer's first five years of service on July 1st of the plan year that immediately follows the plan year for which the eligible volunteer met the five-year requirement. Participants will receive \$500 for each additional year, not to exceed \$20,000. No volunteers have met this eligibility requirement by the end of the fiscal year, and no employer contributions have been made under this plan as of June 30, 2015.

E. Connecticut State Teachers' Retirement Board

Plan Description

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

Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

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 JUNE 30, 2015**

Disability Retirement

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

Contributions

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

Employer (School Districts)

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

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

Employees

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

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

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>23,954,286</u>
Total	<u>\$ 23,954,286</u>

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

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$1,797,256 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Actuarial Assumptions

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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.0%
Total	<u>100.0%</u>	

Discount Rate

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

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

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

Other Information

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

F. Municipal Employees' Retirement System

Plan Description

All full-time employees, except as mentioned above, participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service or 25 years of aggregate service. In addition, compulsory retirement is at age 65 for police and fire members.

Normal Retirement

For members not covered by social security, retirement benefits are calculated as 2% of the average of the three highest paid years of service times the years of service. For members covered by social security, retirement benefits are calculated as 1½% of the average of the three highest paid years of service not in excess of the year's breakpoint plus 2% of average of the three highest paid years of service in excess of the year's breakpoint, times years of service. The year's breakpoint is defined as \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

Early Retirement

Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Benefits are deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement - Service Connected

This applies to employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability.

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

Disability Retirement - Non-Service Connected

This applies to employees who have 10 years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

Death Benefit

This applies to employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and reduced 50% joint and survivor allowance.

Contributions

Member

Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2¼% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

Employer

Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions.

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

At June 30, 2015, the Town reports a liability of \$244,267 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2015, the Town's proportion was .103%. The increase or decrease in proportion from June 30, 2014 is not available.

For the year ended June 30, 2015, the Town recognized pension expense of \$44,113. At June 30, 2015, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Town contributions after the measurement date	\$ 61,357	\$
Net difference between projected and actual earnings on pension plan investments		<u>78,211</u>
Total	<u>\$ 61,357</u>	<u>\$ 78,211</u>

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Amounts reported as deferred outflows of resources related to Town contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2016	\$ 19,553
2017	19,553
2018	19,553
2019	<u>19,552</u>
Total	\$ <u>78,211</u>

Actuarial Assumptions

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

Inflation	3.25%
Salary increase	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for annuitants and nonannuitants (set forward one year for males and set back one year for females).

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

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	.4%
Total	100.0%	

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 employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Town's proportionate share of the net pension liability	\$ 496,033	\$ 244,267	\$ 31,126

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

Plan Fiduciary Net Position

The audited amounts as presented in the State of Connecticut’s Comprehensive Annual Financial Report as of and for the year ended June 30, 2014 have been adjusted to be in accordance with the requirements of GASB Nos. 67 and 68. The adjustment to the contribution receivable increased the net position as previously reported from \$2,175,433,000 to \$2,262,724,000. The net pension liability at June 30, 2014 has been calculated using the adjusted amounts.

Payable to MERS

The Town had \$4,860 payable to MERS recorded in accounts payable. This represents the Town’s legally required contribution and related contributions withheld from employees’ salaries.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. Retired program members and beneficiaries are required to contribute active employee premiums. The percentage contribution and the eligibility of the employees and retirees for these benefits vary and are detailed within the Town’s various bargaining agreements. The Town does not issue a separate stand-alone financial statement for this program.

At June 30, 2015, plan membership consisted of the following:

	Post-Retirement Medical Program
Active participants	169
Inactive participants	13
Total Participants	<u>182</u>

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. Per the recommendations of the Town’s actuary and the size of the current liability, the Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town does not have an explicit liability for post-retirement benefits because the retirees pay the full health insurance premium. However, the Town does have an implicit subsidy that recognizes the expected higher health costs attributed to retirees in general (i.e., the real cost of health coverage for retirees is more than the premiums being charged and the excess cost is being funded by the Town.) Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. The Town will evaluate the funding requirements on an annual basis to determine if establishing a trust is prudent.

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

The Town’s funding strategy for postemployment obligations are based upon characteristics of benefits on four distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

- UPSEU Board of Education employees are eligible for retiree health care coverage for lifetime upon attainment of age 55 with 20 years of service.
- Teachers and School Administrators are eligible for retiree health care coverage for lifetime at the earlier of age 55 with 20 years of service or 25 years of service.
- Board of Education employees with individual contracts are assumed to be eligible for retiree health care coverage for lifetime upon attainment of age 55 with 20 years of service. The following employees have individual contracts: Superintendent.
- Town employees who retire upon Medicare eligibility are eligible to purchase Medicare Supplement coverage through the Town. No retiree health care benefits are offered to Town employees who retire prior to Medicare eligibility.
- Surviving spouses of retired teachers and nonteachers at the school are allowed to remain on the plan.
- Surviving spouses of retirees and actives eligible to retire are allowed to remain on the plan.

C. Annual OPEB Cost and Net OPEB Obligations

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

		<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$	74,994
Interest on net OPEB obligation		4,329
Adjustment to annual required contribution		<u>(4,100)</u>
Annual OPEB cost		75,223
Contributions made		<u>(67,575)</u>
Increase in net OPEB obligation		7,648
Net OPEB obligation at beginning of year		<u>96,193</u>
Net OPEB Obligation at End of Year	\$	<u><u>103,841</u></u>

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous three fiscal years are presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/15	\$ 74,994	\$ 67,575	90.1%	\$ 103,841
6/30/14	84,895	73,424	86.5%	96,193
6/30/13	82,127	67,362	82.0	84,722

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2014	\$	\$ 834,457	\$ 834,457	0 %	\$ 10,673,308	7.8 %
7/1/2013		962,572	962,572	0	10,144,988	9.5
7/1/2012		947,220	947,220	0	9,849,503	9.6

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
6/30/2015	\$ 67,575	\$ 75,223	89.8 %
6/30/2014	73,424	84,695	86.5
6/30/2013	67,362	81,961	82.0

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

In the latest actuarial valuation, July 1, 2013, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using an open group. The UAAL is being amortized on a level percentage of pay over 30 years.

11. FUND BALANCES

A. Components

	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 4,781	\$ 4,781
Endowment			400,000	39,793	439,793
Restricted for:					
Capital projects				764,699	764,699
Recreation				42,510	42,510
Education			6,338,360		6,338,360
Health and welfare				218,580	218,580
Sewer use				46,214	46,214
Committed to:					
Education				29,004	29,004
General government				3,812	3,812
Recreation				17,733	17,733
Open space		4,884,775			4,884,775
Assigned to:					
Education	231,731				231,731
General government	16,774				16,774
Public safety	4,045			24,050	28,095
Public works	5,023				5,023
Recreation	19,028				19,028
Capital projects				21,207	21,207
Unassigned	<u>4,468,215</u>			<u>(293,651)</u>	<u>4,174,564</u>
Total Fund Balances	<u>\$ 4,744,816</u>	<u>\$ 4,884,775</u>	<u>\$ 6,738,360</u>	<u>\$ 918,732</u>	<u>\$ 17,286,683</u>

B. Fund Deficits

The Bridge Construction Fund, a nonmajor capital projects fund, has a deficit fund balance of \$293,651 primarily due to a pending disagreement between the State of Connecticut and the Town's contractor as it relates to contract compliance. This deficit will be funded by General Fund contributions and/or additional state revenues.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

12. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68:

Net position balance at June 30 2014, as previously reported	\$ 73,360,322
Adjustments:	
Eliminate net pension assets reported per GASB No. 27	(47,553)
Record net pension liability per GASB No. 68	<u>(443,470)</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 72,869,299</u>

13. CONTINGENT LIABILITIES

The Town, its officials, employees, boards and commissions are defendants in several lawsuits. It is the opinion of Town officials that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town that would materially adversely affect its financial position.

14. SUBSEQUENT EVENTS

On August 12, 2015, the Town entered into a loan agreement with the U.S. Department of Agriculture for \$15 million for the conversion of the former Nathan Hale-Ray middle school building for municipal offices.

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

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Property taxes:				
Current and prior years' levies	\$ 23,624,324	\$ 23,624,324	\$ 23,691,143	\$ 66,819
Interest and penalties	125,000	125,000	168,709	43,709
Other taxes	8,000	8,000	11,091	3,091
Total property taxes	<u>23,757,324</u>	<u>23,757,324</u>	<u>23,870,943</u>	<u>113,619</u>
Intergovernmental revenues:				
General government:				
Chester Assessor agreement	46,944	46,944	46,944	-
PILOT State property	28,530	28,530	44,042	15,512
Casino funds	27,880	27,880	28,815	935
State highway - Town Aid Road	334,397	334,397	329,648	(4,749)
Local Capital Improvement Program	89,741	89,741	88,388	(1,353)
Emergency Management Grant	4,100	4,100	4,100	-
Miscellaneous allotments	25,000	25,000	3,605	(21,395)
Police Grant	25,000	25,000	4,391	(20,609)
Tax relief veterans, elderly and disabled	79,750	79,750	71,100	(8,650)
PILOT - Goodspeed Opera House	26,500	26,500	28,092	1,592
Education:				
Adult Education	4,940	4,940	5,330	390
Transportation	61,621	61,621	60,987	(634)
Education Cost Sharing/Special Education Grant	<u>3,779,206</u>	<u>3,779,206</u>	<u>3,765,704</u>	<u>(13,502)</u>
Total intergovernmental revenues	<u>4,533,609</u>	<u>4,533,609</u>	<u>4,481,146</u>	<u>(52,463)</u>
Investment and interest income:				
Investment income	<u>35,400</u>	<u>35,400</u>	<u>19,711</u>	<u>(15,689)</u>
Local revenue:				
Animal Control	250	250	1,005	755
Assessor fees	500	500	310	(190)
Building Department	100,000	100,000	97,023	(2,977)
Cemeteries	2,530	2,530	3,253	723
Fire permits	200	200	180	(20)
Historic District permits	300	300	100	(200)
Land Use Offices permit fees	30,000	30,000	14,265	(15,735)
Other	25,000	25,000	12,219	(12,781)
Police special duty	30,000	30,000	17,800	(12,200)
Rents	14,000	14,000	27,886	13,886
Telecommunications	28,500	28,500	26,807	(1,693)

(Continued on next page)

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

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Local revenue (continued):				
Conveyance tax	\$ 80,000	\$ 80,000	\$ 77,379	\$ (2,621)
Town Clerk fees	199,640	199,640	150,009	(49,631)
Town Clerk licenses	25,000	25,000	21,796	(3,204)
Preservation revenue	7,098	7,098	3,924	(3,174)
Sanitation/Transfer Station	64,200	64,200	49,347	(14,853)
Zoning Board of Appeals	2,000	2,000	520	(1,480)
Libraries:				
Library endowment and trust income	58,463	58,463	58,500	37
Library fees and fines	6,600	6,600	7,339	739
Total local revenue	<u>674,281</u>	<u>674,281</u>	<u>569,662</u>	<u>(104,619)</u>
Other:				
Ray School Corporation	203,859	203,859	195,268	(8,591)
Helon Cone Trust	15,000	15,000	19,022	4,022
Libraries	11,205	11,205	11,242	37
Total other	<u>230,064</u>	<u>230,064</u>	<u>225,532</u>	<u>(4,532)</u>
Total revenues	<u>29,230,678</u>	<u>29,230,678</u>	<u>29,166,994</u>	<u>(63,684)</u>
Other financing sources:				
Transfers from other funds:				
Albert E. Purple Fund	270,992	270,992	279,845	8,853
Palmer Fund	28,788	28,788	29,426	638
Reliance on fund balance	<u>68,801</u>	<u>68,801</u>		<u>(68,801)</u>
Total Revenues and Other Financing Sources	<u>\$ 29,599,259</u>	<u>\$ 29,599,259</u>	29,476,265	<u>\$ (122,994)</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	1,797,256
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes	452,604
Grange Hall revenue included in General Fund for GAAP purposes, but separate for budgetary purposes	200
Education tuition payments netted for budgetary purposes	<u>72,862</u>

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

\$ 31,799,187

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance (Over) Under</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Assessor	\$ 125,609	\$ 125,609	\$ 118,952	\$ 6,657
Building maintenance and operation	25,415	25,415	25,405	10
Central services	122,612	122,612	120,071	2,541
Elections and registrars	53,390	53,390	41,268	12,122
Board of Finance	188,392	138,392	95,177	43,215
Planning and Zoning/Land Use Office	164,966	164,966	140,541	24,425
Old Middle School	22,070	22,070	10,966	11,104
Probate Court	12,993	12,993	12,993	-
Selectmen	149,408	149,408	144,657	4,751
Tax Collector	88,135	88,135	84,788	3,347
Town Clerk	247,978	247,978	203,622	44,356
Fringe benefits	920,343	920,343	851,503	68,840
Insurance	212,300	212,300	218,225	(5,925)
Legal services	68,500	68,500	116,846	(48,346)
Board of Assessment Appeals	5,300	5,300	998	4,302
Conservation Commission	11,900	11,900	12,078	(178)
Economic Development Commission	34,393	34,393	30,051	4,342
Historic District Commission	3,075	3,075	945	2,130
Open Space Committee	12,823	12,823	8,696	4,127
Zoning Board of Appeals	6,090	6,090	1,009	5,081
Shared services	1,107,201	1,107,201	1,082,341	24,860
Agriculture Commission	1,750	1,750		1,750
Total general government	<u>3,584,643</u>	<u>3,534,643</u>	<u>3,321,132</u>	<u>213,511</u>
Public safety:				
Animal Control	42,431	42,431	69,190	(26,759)
Building Department	120,479	120,479	117,352	3,127
Emergency management	68,660	68,660	67,379	1,281
Fire Department	243,747	243,747	243,747	-
Fire Marshal	35,822	35,822	29,198	6,624
Police officers	330,616	330,616	260,106	70,510
Resident troopers	101,788	101,788	99,626	2,162
Total public safety	<u>943,543</u>	<u>943,543</u>	<u>886,598</u>	<u>56,945</u>
Public works:				
General highways	1,052,661	1,052,661	975,859	76,802
Snow removal	233,244	233,244	307,757	(74,513)
Town garage maintenance	59,165	59,165	55,659	3,506
Transfer Station	565,343	565,343	552,975	12,368
Total public works	<u>1,910,413</u>	<u>1,910,413</u>	<u>1,892,250</u>	<u>18,163</u>

(Continued on next page)

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

	Budgeted Amounts		Actual	Variance (Over) Under
	Original	Final		
Health and welfare:				
Cemeteries	\$ 15,800	\$ 15,800	\$ 2,944	\$ 12,856
Health District	83,664	83,664	83,864	(200)
Human Services	3,920	3,920	2,550	1,370
Senior Services	122,843	122,843	115,321	7,522
Youth and Family Services	174,306	174,306	174,306	-
Total health and welfare	<u>400,533</u>	<u>400,533</u>	<u>378,985</u>	<u>21,548</u>
Recreation and leisure:				
Lakes Association	19,028	19,028	19,028	-
Public Libraries	330,717	330,717	330,962	(245)
Recreation Commission	110,666	110,666	102,424	8,242
Greens maintenance	14,770	14,770	5,890	8,880
Total recreation and leisure	<u>475,181</u>	<u>475,181</u>	<u>458,304</u>	<u>16,877</u>
Board of Education	<u>18,744,033</u>	<u>18,744,033</u>	<u>18,698,852</u>	<u>45,181</u>
Debt service	<u>2,007,689</u>	<u>2,007,689</u>	<u>2,008,575</u>	<u>(886)</u>
Total expenditures	<u>28,066,035</u>	<u>28,016,035</u>	<u>27,644,696</u>	<u>371,339</u>
Other financing uses:				
Transfers to other funds:				
Special Revenue Funds	29,500	29,500	29,500	-
Reserve for Capital Projects	1,500,724	1,550,724	1,550,724	-
Historical preservation fund	3,000	3,000	3,000	-
Total other financing uses	<u>1,533,224</u>	<u>1,583,224</u>	<u>1,583,224</u>	<u>-</u>
Total Budgetary Expenditures and Other Financing Uses	<u>\$ 29,599,259</u>	<u>\$ 29,599,259</u>	29,227,920	<u>\$ 371,339</u>
Budgetary expenditures are different than GAAP expenditures because:				
Encumbrances outstanding at June 30, 2015			(276,601)	
Liquidation of prior year encumbrances			142,259	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,797,256	
Payroll accrual adjustment - payroll budgeted on a cash basis			59,575	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes			452,604	
Education tuition payments netted for budgetary purposes			<u>72,862</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 31,475,875</u>	

TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIIGHTERS PENSION PLAN
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 9,420	\$ 9,345
Interest	33,560	33,288
Differences between expected and actual experience	23,844	
Changes of assumptions	3,144	2,288
Benefit payments, including refunds of member contributions	(35,280)	(37,080)
Other	(25)	
Net change in total pension liability	<u>34,663</u>	<u>7,841</u>
Total pension liability - beginning	<u>622,026</u>	<u>614,185</u>
Total pension liability - ending	<u>656,689</u>	<u>622,026</u>
Plan fiduciary net position:		
Contributions - employer	64,601	79,182
Net investment income	16,978	51,486
Benefit payments, including refunds of member contributions	(35,280)	(37,080)
Administrative expense	<u>(10,021)</u>	<u>(12,687)</u>
Net change in plan fiduciary net position	36,278	80,901
Plan fiduciary net position - beginning	<u>456,899</u>	<u>375,998</u>
Plan fiduciary net position - ending	<u>493,177</u>	<u>456,899</u>
Net Pension Liability - Ending	<u>\$ 163,512</u>	<u>\$ 165,127</u>
Plan fiduciary net position as a percentage of the total pension liability	75.10%	73.45%
Covered-employee payroll	\$ N/A	\$ N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

**TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - FIREFIGHTERS PENSION PLAN
LAST FOUR FISCAL YEARS**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 48,417	\$ 28,708	\$ 29,915	\$ 29,915
Contributions in relation to the actuarially determined contribution	<u>35,646</u>	<u>39,705</u>	<u>79,182</u>	<u>64,601</u>
Contribution Deficiency (Excess)	<u>\$ 12,771</u>	<u>\$ (10,997)</u>	<u>\$ (49,267)</u>	<u>\$ (34,686)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: June 30, 2015
 Measurement date: June 30, 2015
 Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	20-year level dollar amortization method (open), using 5.5% discount
Asset valuation method	Market value
Inflation	0.0%
Salary increases	Not applicable
Investment rate of return	5.50%, net of pension plan investment expense, including inflation
Retirement age	100% at age 65

Mortality RP-2014 Blue Collar Mortality Table projected generationally using MP 2015 mortality improvements according to Scale AA

NOTE: The Pension Trust Fund was established in 2012.

**TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - FIREFIGHTERS PENSION PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.29 %	14.10 %

**TOWN OF EAST HADDAM, CONNECTICUT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHERS RETIREMENT PLAN
 LAST FISCAL YEAR***

	<u>2015</u>
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	23,954,286
Total	<u>\$ 23,954,286</u>
Town's covered-employee payroll	\$ 8,748,161
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

* The amounts presented for each fiscal year were determined as of December 31.

**TOWN OF EAST HADDAM, CONNECTICUT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
 LAST FISCAL YEAR***

	2015
Town's proportion of the net pension liability	0.10%
Town's proportionate share of the net pension liability	\$ 244,267
Town's covered-employee payroll	\$ 512,160
Plan fiduciary net position as a percentage of the total pension liability	90.48%

* The amounts presented for each fiscal year were determined as of December 31.

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2012.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market

**TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 28,023	\$ 29,991	\$ 32,097	\$ 32,575	\$ 33,211	\$ 47,896	\$ 58,770	\$ 60,824	\$ 63,306	\$ 64,594
Contributions in relation to the actuarially determined contribution	<u>25,482</u>	<u>28,148</u>	<u>32,569</u>	<u>34,915</u>	<u>35,180</u>	<u>47,982</u>	<u>57,094</u>	<u>62,612</u>	<u>63,263</u>	<u>61,357</u>
Contribution Deficiency (Excess)	\$ <u>2,541</u>	\$ <u>1,843</u>	\$ <u>(472)</u>	\$ <u>(2,340)</u>	\$ <u>(1,969)</u>	\$ <u>(86)</u>	\$ <u>1,676</u>	\$ <u>(1,788)</u>	\$ <u>43</u>	\$ <u>3,237</u>
Covered employee payroll	\$ 407,717	\$ 417,003	\$ 465,282	\$ 498,780	\$ 469,063	\$ 505,073	\$ 493,889	\$ 531,066	\$ 528,067	\$ 512,160
Contributions as a percentage of covered employee payroll	6.25%	6.75%	7.00%	7.00%	7.50%	9.50%	11.56%	11.79%	11.98%	11.98%

Notes to Schedule

Valuation date: June 30, 2014

Measurement date: June 30, 2014

Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Single equivalent amortization period	27 years
Asset valuation method	5 years smoothed market (20% write up)
Inflation	3.25%
Salary increases	4.25% - 11%, including inflation
Investment rate of return	8%, net of investment related expense
Changes in assumptions:	In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience.

**TOWN OF EAST HADDAM, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 1,978,472	\$ 1,682,157
Due from other governments	111,328	170,060
Property taxes receivable (net of allowance for uncollected taxes \$20,344 and \$19,852 respectively)	467,703	499,295
Other accounts receivable	351,957	225,626
Due from other funds	<u>3,532,788</u>	<u>2,959,440</u>
Total Assets	<u>\$ 6,442,248</u>	<u>\$ 5,536,578</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 890,732	\$ 358,777
Due to other funds	204,801	131,383
Unearned revenues	<u>9,298</u>	<u>9,298</u>
Total liabilities	<u>1,104,831</u>	<u>499,458</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	579,601	602,616
Unavailable revenue - loans receivable	<u>13,000</u>	<u>13,000</u>
Total deferred inflows of resources	<u>592,601</u>	<u>615,616</u>
Fund balance:		
Assigned	276,601	556,482
Unassigned	<u>4,468,215</u>	<u>3,865,022</u>
Total fund balance	<u>4,744,816</u>	<u>4,421,504</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,442,248</u>	<u>\$ 5,536,578</u>

**TOWN OF EAST HADDAM, CONNECTICUT
 GENERAL FUND
 REPORT OF TAX COLLECTOR
 FOR THE YEAR ENDED JUNE 30, 2015**

Grand List	Uncollected Taxes July 1, 2014	Current Year Levy	Assessor's Additions	Assessor's Deductions	Transfers to Suspense	Refunds	Adjusted Taxes Collectible	Collections			Uncollected Taxes July 1, 2015
								Taxes	Interest Liens and Other Fees	Total	
2013	\$	\$ 23,739,131	\$ 11,855	\$ 69,774	\$ 20,714	\$ 7,071	\$ 23,667,569	\$ 23,379,316	\$ 90,913	\$ 23,470,229	\$ 288,253
2012		327,769	678	13,353	7,022	1,053	309,125	214,272	42,676	256,948	94,853
2011		100,833		248	721	248	100,112	72,121	21,782	93,903	27,991
2010		27,470	183	64	183	64	27,470	10,373	5,840	16,213	17,097
2009		20,131	153	63		63	20,284	3,374	611	3,985	16,910
2008		16,119		61		62	16,120				16,120
2007		12,335					12,335				12,335
2006		9,743					9,743				9,743
2005		4,745					4,745				4,745
	\$	<u>519,145</u>	\$ <u>23,739,131</u>	\$ <u>12,869</u>	\$ <u>83,563</u>	\$ <u>28,640</u>	\$ <u>24,167,503</u>	23,679,456	161,822	23,841,278	\$ <u>488,047</u>

Suspense collections:

2013	1,113	163	1,276
2012	3,396	812	4,208
2011	2,149	872	3,021
2010	868	435	1,303
2009	576	442	1,018
2008	575	548	1,123
2007	151	164	315
2006	221	358	579
2005			
2004	34	57	91
2003			
2002	34	69	103
2001	31	66	97
Total	\$ <u>23,688,604</u>	\$ <u>165,808</u>	\$ <u>23,854,412</u>

**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	Special Revenue Funds							
	<u>WPCA Sewer</u>	<u>Senior Transportation</u>	<u>Miscellaneous Grants</u>	<u>Recreation Activity</u>	<u>Dog Pound Improvements</u>	<u>Senior Center Donation</u>	<u>Records Preservation</u>	<u>Educational Grants</u>
ASSETS								
Cash and cash equivalents	\$ 255,290	\$ 20,622	\$	\$	\$	\$	\$	\$ 120,510
Investments								
Accounts receivable	111,095							5,830
Due from other funds				61,898	24,050	5,542	4,564	
Inventory								
Total Assets	<u>\$ 366,385</u>	<u>\$ 20,622</u>	<u>\$ -</u>	<u>\$ 61,898</u>	<u>\$ 24,050</u>	<u>\$ 5,542</u>	<u>\$ 4,564</u>	<u>\$ 126,340</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payables	\$	\$	\$	\$ 6,488	\$	\$	\$ 752	\$ 13,023
Due to other funds	320,171							
Unearned revenue				25,777				113,317
Total liabilities	<u>320,171</u>	<u>-</u>	<u>-</u>	<u>32,265</u>	<u>-</u>	<u>-</u>	<u>752</u>	<u>126,340</u>
Fund Balances:								
Nonspendable								
Restricted	46,214	20,622		29,633		5,542		
Committed							3,812	
Assigned					24,050			
Unassigned								
Total fund balances	<u>46,214</u>	<u>20,622</u>	<u>-</u>	<u>29,633</u>	<u>24,050</u>	<u>5,542</u>	<u>3,812</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 366,385</u>	<u>\$ 20,622</u>	<u>\$ -</u>	<u>\$ 61,898</u>	<u>\$ 24,050</u>	<u>\$ 5,542</u>	<u>\$ 4,564</u>	<u>\$ 126,340</u>

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**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	Special Revenue Funds							
	<u>School Cafeteria</u>	<u>Farmers Market</u>	<u>Green Committee</u>	<u>Transfer Station</u>	<u>Forestry Management</u>	<u>Music on the River</u>	<u>Agriculture Commission</u>	<u>Library Donations</u>
ASSETS								
Cash and cash equivalents	\$ 29,571	\$	\$	\$ 4,773	\$	\$	\$	\$
Investments								
Accounts receivable	24,641							
Due from other funds	23,500		580		6,908	17,733	4,634	905
Inventory	4,781							
Total Assets	\$ 82,493	\$ -	\$ 580	\$ 4,773	\$ 6,908	\$ 17,733	\$ 4,634	\$ 905
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payables	\$ 48,708	\$	\$	\$ 4,773	\$	\$	\$ 150	\$
Due to other funds								
Unearned revenue								
Total liabilities	48,708	-	-	4,773	-	-	150	-
Fund Balances:								
Nonspendable	4,781							
Restricted			580		6,908		4,484	905
Committed	29,004					17,733		
Assigned								
Unassigned								
Total fund balances	33,785	-	580	-	6,908	17,733	4,484	905
Total Liabilities and Fund Balances	\$ 82,493	\$ -	\$ 580	\$ 4,773	\$ 6,908	\$ 17,733	\$ 4,634	\$ 905

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**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	Capital Project Funds					Permanent Funds		Total Nonmajor Governmental Funds
	Bridge Construction	Capital Grants	Community Development Block Grant	William Palmer	Middle School	Cemetery	Trust Scholarship Fund	
ASSETS								
Cash and cash equivalents	\$	\$	\$ 4,342	\$ 11,398	\$ 271	\$	\$	\$ 446,777
Investments				753,301		218,833	9,255	981,389
Accounts receivable		49,656						191,222
Due from other funds		48,818					5,669	204,801
Inventory								4,781
Total Assets	\$ -	\$ 98,474	\$ 4,342	\$ 764,699	\$ 271	\$ 218,833	\$ 14,924	\$ 1,828,970
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payables	\$ 52,195	\$ 34,443	\$	\$	\$	\$	\$ 1,548	\$ 162,080
Due to other funds	241,456				268			561,895
Unearned revenue		42,827	4,342					186,263
Total liabilities	293,651	77,270	4,342	-	268	-	1,548	910,238
Fund Balances:								
Nonspendable						35,587	4,206	44,574
Restricted				764,699		183,246	9,170	1,072,003
Committed								50,549
Assigned		21,204			3			45,257
Unassigned	(293,651)							(293,651)
Total fund balances	(293,651)	21,204	-	764,699	3	218,833	13,376	918,732
Total Liabilities and Fund Balances	\$ -	\$ 98,474	\$ 4,342	\$ 764,699	\$ 271	\$ 218,833	\$ 14,924	\$ 1,828,970

**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds							Educational Grants
	WPCA Sewer	Senior Transportation	Miscellaneous Grants	Recreation Activity	Dog Pound Improvements	Senior Center Donations	Records Preservation	
Revenues:								
Intergovernmental revenues	\$ 78,513	\$	\$ 18,937	\$	\$	\$	\$ 5,000	\$ 653,356
Charges for sales and services	163,774			97,907	6,000		2,648	
Income on investments	207	20						
Other								
Donations and gifts		2,021			50			309,991
Total revenues	<u>242,494</u>	<u>2,041</u>	<u>18,937</u>	<u>97,907</u>	<u>6,050</u>	<u>-</u>	<u>7,648</u>	<u>963,347</u>
Expenditures:								
Current:								
General government							9,275	
Public works	235,935							
Health and welfare			18,937					
Recreation and leisure				100,282				
Education								963,347
Capital outlay								
Total expenditures	<u>235,935</u>	<u>-</u>	<u>18,937</u>	<u>100,282</u>	<u>-</u>	<u>-</u>	<u>9,275</u>	<u>963,347</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,559</u>	<u>2,041</u>	<u>-</u>	<u>(2,375)</u>	<u>6,050</u>	<u>-</u>	<u>(1,627)</u>	<u>-</u>
Other Financing Sources (Uses):								
Transfers in							3,000	
Transfers out								
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Net Change in Fund Balances	6,559	2,041	-	(2,375)	6,050	-	1,373	-
Fund Balances at Beginning of Year	<u>39,655</u>	<u>18,581</u>	<u>-</u>	<u>32,008</u>	<u>18,000</u>	<u>5,542</u>	<u>2,439</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 46,214</u>	<u>\$ 20,622</u>	<u>\$ -</u>	<u>\$ 29,633</u>	<u>\$ 24,050</u>	<u>\$ 5,542</u>	<u>\$ 3,812</u>	<u>\$ -</u>

(Continued on next page)

**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds							
	School Cafeteria	Farmers Market	Green Committee	Transfer Station	Forestry Management	Music on the River	Agriculture Commission	Library Donation
Revenues:								
Intergovernmental revenues	\$ 130,043	\$	\$	\$	\$ 243	\$	\$	\$
Charges for sales and services	202,091	1,780				23,323		
Income on investments								
Other							870	
Donations and gifts								905
Total revenues	<u>332,134</u>	<u>1,780</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>23,323</u>	<u>870</u>	<u>905</u>
Expenditures:								
Current:								
General government								
Public works								
Health and welfare		4,662	300					
Recreation and leisure					543	21,849	3,006	
Education	337,768							
Capital outlay								
Total expenditures	<u>337,768</u>	<u>4,662</u>	<u>300</u>	<u>-</u>	<u>543</u>	<u>21,849</u>	<u>3,006</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,634)</u>	<u>(2,882)</u>	<u>(300)</u>	<u>-</u>	<u>(300)</u>	<u>1,474</u>	<u>(2,136)</u>	<u>905</u>
Other Financing Sources (Uses):								
Transfers in	23,500						6,000	
Transfers out								
Total other financing sources (uses)	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Net Change in Fund Balances	17,866	(2,882)	(300)	-	(300)	1,474	3,864	905
Fund Balances at Beginning of Year	<u>15,919</u>	<u>2,882</u>	<u>880</u>	<u>-</u>	<u>7,208</u>	<u>16,259</u>	<u>620</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 33,785</u>	<u>\$ -</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 6,908</u>	<u>\$ 17,733</u>	<u>\$ 4,484</u>	<u>\$ 905</u>

(Continued on next page)

**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Project Funds					Permanent Funds		Total Nonmajor Governmental Funds
	Bridge Construction	Capital Grants	CDBG	William Palmer	Middle School	Cemetery	Trust Scholarship Fund	
Revenues:								
Intergovernmental revenues	\$	\$ 56,281	\$ 270,678	\$	\$	\$	\$	\$ 1,213,051
Charges for sales and services								497,523
Income on investments				26,175	3	5,413	44	31,862
Other			25					895
Donations and gifts							7,957	320,924
Total revenues	<u>-</u>	<u>56,281</u>	<u>270,703</u>	<u>26,175</u>	<u>3</u>	<u>5,413</u>	<u>8,001</u>	<u>2,064,255</u>
Expenditures:								
Current:								
General government								9,275
Public works		50,280	270,703					556,918
Health and welfare				7,834		3,108		34,841
Recreation and leisure								125,680
Education							3,835	1,304,950
Capital outlay	34,511							34,511
Total expenditures	<u>34,511</u>	<u>50,280</u>	<u>270,703</u>	<u>7,834</u>	<u>-</u>	<u>3,108</u>	<u>3,835</u>	<u>2,066,175</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(34,511)</u>	<u>6,001</u>	<u>-</u>	<u>18,341</u>	<u>3</u>	<u>2,305</u>	<u>4,166</u>	<u>(1,920)</u>
Other Financing Sources (Uses):								
Transfers in								32,500
Transfers out				(29,426)				(29,426)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,426)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,074</u>
Net Change in Fund Balances	(34,511)	6,001	-	(11,085)	3	2,305	4,166	1,154
Fund Balances at Beginning of Year	<u>(259,140)</u>	<u>15,203</u>	<u>-</u>	<u>775,784</u>	<u>-</u>	<u>216,528</u>	<u>9,210</u>	<u>917,578</u>
Fund Balances at End of Year	<u>\$ (293,651)</u>	<u>\$ 21,204</u>	<u>\$ -</u>	<u>764,699</u>	<u>\$ 3</u>	<u>\$ 218,833</u>	<u>\$ 13,376</u>	<u>\$ 918,732</u>

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>169,484</u>	\$ <u>267,423</u>	\$ <u>261,189</u>	\$ <u>175,718</u>
Liabilities:				
Due to student groups	\$ <u>169,484</u>	\$ <u>267,423</u>	\$ <u>261,189</u>	\$ <u>175,718</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ <u>76,570</u>	\$ <u>1,575</u>	\$ <u>2,351</u>	\$ <u>75,794</u>
Liabilities:				
Due to contractors and others	\$ <u>76,570</u>	\$ <u>1,575</u>	\$ <u>2,351</u>	\$ <u>75,794</u>
Driveway Bonds				
Assets:				
Cash and cash equivalents	\$ <u>99,498</u>	\$ <u>1,500</u>	\$ <u>4,250</u>	\$ <u>96,748</u>
Liabilities:				
Due to contractors and others	\$ <u>99,498</u>	\$ <u>1,500</u>	\$ <u>4,250</u>	\$ <u>96,748</u>
Total				
Assets:				
Cash and cash equivalents	\$ <u>345,552</u>	\$ <u>270,498</u>	\$ <u>267,790</u>	\$ <u>348,260</u>
Liabilities:				
Due to student groups, contractors and others	\$ <u>345,552</u>	\$ <u>270,498</u>	\$ <u>267,790</u>	\$ <u>348,260</u>

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF DEBT LIMITATION
JUNE 30, 2015
(in Thousands)

Total tax collections (including interest and lien fees) received by
Treasurer for year ended June 30, 2015 \$ 23,855

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 53,674	\$	\$	\$	\$
4-1/2 times base		107,348			
3-3/4 times base			89,456		
3-1/4 times base				77,529	
3 times base					71,565
Total debt limitation	<u>53,674</u>	<u>107,348</u>	<u>89,456</u>	<u>77,529</u>	<u>71,565</u>
Indebtedness:					
Bonds and notes payable	3,480	13,175	82		
Bonds authorized - unissued	1,201	15,612	16		
Building grants received		<u>(15,612)</u>			
Total indebtedness	<u>4,681</u>	<u>13,175</u>	<u>98</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 48,993</u>	<u>\$ 94,173</u>	<u>\$ 89,358</u>	<u>\$ 77,529</u>	<u>\$ 71,565</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$166,985).

**TOWN OF EAST HADDAM, CONNECTICUT
DEBT PAYMENT SCHEDULE
JUNE 30, 2015**

Fiscal Year	August 11, 2010 Bonds		May 15, 2008 Bonds		Open Space Loan		Clean Water Loan		Gross Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 200,000	\$ 95,138	\$ 900,000	\$ 480,532	\$ 195,000	\$ 40,188	\$ 82,174	\$ 1,233	\$ 1,377,174	\$ 617,091
2017	200,000	91,138	910,000	450,156	210,000	35,125			1,320,000	576,419
2018	200,000	86,888	920,000	416,031	210,000	29,875			1,330,000	532,794
2019	200,000	82,138	920,000	372,331	210,000	24,625			1,330,000	479,094
2020	200,000	76,888	925,000	335,531	195,000	19,563			1,320,000	431,982
2021	200,000	71,138	925,000	298,531	195,000	14,691			1,320,000	384,360
2022	200,000	65,138	925,000	261,531	195,000	9,813			1,320,000	336,482
2023	200,000	59,138	925,000	224,531	155,000	5,438			1,280,000	289,107
2024	200,000	53,038	875,000	186,375	140,000	1,750			1,215,000	241,163
2025	200,000	46,738	875,000	150,281					1,075,000	197,019
2026	200,000	40,238	875,000	113,093					1,075,000	153,331
2027	200,000	33,538	875,000	75,906					1,075,000	109,444
2028	200,000	26,638	875,000	38,281					1,075,000	64,919
2029	200,000	19,538							200,000	19,538
2030	200,000	12,188							200,000	12,188
2031	225,000	4,219							225,000	4,219
	<u>\$ 3,225,000</u>	<u>\$ 863,739</u>	<u>\$ 11,725,000</u>	<u>\$ 3,403,110</u>	<u>\$ 1,705,000</u>	<u>\$ 181,068</u>	<u>\$ 82,174</u>	<u>\$ 1,233</u>	<u>\$ 16,737,174</u>	<u>\$ 4,449,150</u>