

TOWN OF EAST HADDAM, CONNECTICUT

FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 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, 2018, the Town of East Haddam, Connecticut, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Town of East Haddam, Connecticut, has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. 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 62 through 66 and the pension and OPEB schedules on pages 67 through 74 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 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, 2017 (not presented herein), and have issued our report thereon dated November 17, 2017, 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, 2017 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 2017 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2017 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, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 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 solely 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 the effectiveness of the Town of East Haddam, Connecticut's 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 12, 2018

TOWN OF EAST HADDAM, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 \$81,033,151 (net position). Of this amount, \$16,226,216 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's net position as of July 1, 2017 was restated from \$80,639,240 to \$79,624,971, a decrease of \$1,014,269, to adjust net position for the implementation of the Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions.
- The Town's total net position increased by \$1,408,180 or 1.8%.
- During the year, the Town had expenses that were \$1,408,180 less than the \$36,826,330 generated in tax and other revenues for governmental programs.
- The Town's governmental funds reported combined ending fund balances of \$2,827,544, a decrease of \$11,786,478 in comparison with the prior year. The decrease is primarily due to expenditures in excess of revenues in the bonded capital projects fund of \$17,004,936. The bonded capital projects fund deficit was due to expenditures incurred for the renovations and improvements of a former school to create the new municipal office complex.
- The unassigned balance for the General Fund was \$4,941,533 or 16.2% of the General Fund budgetary expenditures and other financing uses. This represents an increase of \$514,104 in unassigned fund balance.
- The Town's total capital assets increased by \$12,195,000 or 15% primarily due to the renovations and improvements of a former school to create the new municipal office complex.
- The Capital Projects and Reserve Fund (where all capital projects and reserves for capital projects are reflected) increased by \$594,624 or 10.8%.
- The Town's long-term debt decreased by \$1,330,000 or 9.4% 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 \$79,624,971 to \$81,033,151. 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	
	2018	2017 (as Restated)
Current and other assets	\$ 23,755,103	\$ 34,015,578
Capital assets	93,771,473	81,576,100
Total assets	<u>117,526,576</u>	<u>115,591,678</u>
Deferred outflows of resources	<u>700,203</u>	<u>819,726</u>
Long-term debt outstanding	16,387,513	17,720,346
Other liabilities	20,705,272	19,014,138
Total liabilities	<u>37,092,785</u>	<u>36,734,484</u>
Deferred inflows of resources	<u>100,843</u>	<u>51,949</u>
Net position:		
Net investment in capital assets	64,367,142	63,151,698
Restricted	439,793	439,793
Unrestricted	<u>16,226,216</u>	<u>16,033,480</u>
Total Net Position	<u>\$ 81,033,151</u>	<u>\$ 79,624,971</u>

Net position of the Town's governmental activities increased by 1.8%.

The Town's net position as of July 1, 2017 was restated from \$80,639,240 to \$79,624,971, to adjust net position for the implementation of the Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pension*. This restatement decreased the 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, from \$17,047,749 to \$16,033,480, a reduction of \$1,014,269. The unrestricted net position increased from \$16,033,480 to \$16,226,216.

**TABLE 2
CHANGE IN NET POSITION**

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 1,267,936	\$ 1,245,790
Operating grants and contributions	8,465,330	8,587,764
Capital grants and contributions	571,368	1,564,527
General revenues:		
Property taxes	25,636,943	25,428,365
Grants and contributions not restricted to specific purposes	97,218	102,546
Unrestricted investment earnings	655,949	987,137
Other general revenues	131,586	287,094
Total revenues	36,826,330	38,203,223
Program expenses:		
General government	3,696,758	3,488,285
Public safety	1,265,893	1,295,996
Public works	2,915,173	3,825,994
Health and welfare	519,306	459,689
Recreation and leisure	669,532	741,039
Education	25,684,644	25,067,078
Interest on long-term debt	666,844	484,687
Total program expenses	35,418,150	35,362,768
Increase in Net Position	1,408,180	2,840,455
Net Position July 1	79,624,971	77,798,785
Restatement		(1,014,269)
Net Position June 30	\$ 81,033,151	\$ 79,624,971

The Town's total revenues were \$36,826,330. The total cost of all programs and services was \$35,418,150. Our analysis below considers the operations of governmental activities.

Governmental Activities

Approximately 70% of the Town's revenues were derived from property taxes, followed by 22% from operating grants and contributions, 3% from charges for services and then 2% for capital grants and contributions.

The mill rate for fiscal year 2018 was 29.58. The mill rate for fiscal year 2017 was 29.35.

For Governmental Activities, approximately 71% of the Town's expenditures related to education, followed by 10% to general government and then 8% related to public works.

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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General government	\$ 3,696,758	\$ 2,752,660	\$ 3,178,891	\$ 2,054,415
Public safety	1,265,893	1,165,174	1,009,353	10,003,680
Public works	2,915,173	3,432,111	2,181,460	2,057,351
Health and welfare	519,306	486,859	421,783	461,127
Recreation and leisure	669,532	794,088	486,545	576,392
Education	25,684,644	23,583,437	17,168,640	16,299,069
Other	666,844	679,735	666,844	679,735
Totals	<u>\$ 35,418,150</u>	<u>\$ 32,894,064</u>	<u>\$ 25,113,516</u>	<u>\$ 32,131,769</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 \$2,827,544, which is a decrease of \$11,786,478 from last year’s total of \$14,614,022. The decrease is the result of the net change in fund balance in the bonded capital projects fund of \$13,082,972. The bonded capital projects fund deficit was due to the expenditures incurred for the renovations and improvements of a former school to create the new municipal office complex.

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,941,533. As a measure of the general funds liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 16.2% of total general fund budgetary expenditures and other financing uses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the Town had \$93.8 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 \$12.2 million was primarily due to the renovations and improvements of a former school to create the new municipal office complex.

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

	Governmental Activities	
	2018	2017
Land	\$ 9,734	\$ 9,734
Building and improvements	52,274	52,225
Furniture and equipment	3,738	3,887
Infrastructure	13,191	13,454
Construction in progress	14,834	2,276
Totals	\$ 93,771	\$ 81,576

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	
	2018	2017
General obligation bonds	\$ 11,790,000	\$ 12,910,000
Notes payable	1,090,000	1,300,000
Total	\$ 12,880,000	\$ 14,210,000

At June 30, 2018, the Town had \$12.9 million in bonds and notes outstanding versus \$14.2 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 \$177 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 2018-2019 General Fund budget.

Revenues: The Town anticipated revenues from state, federal and local sources to increase by 7.3%. The budget includes a reliance on the general fund of \$100,000 to balance the budget. The budget provides for an increase in property taxes of \$452 thousand or 1.8%. The mill rate increased by .08. The mill rate for fiscal year 2018-2019 is 29.66.

Expenses: The expenditure budget for 2018-2019 is \$31,562,517 or an increase of \$780 thousand (over the 2017-2018 original budget).

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, 1 Plains Road, Moodus, Connecticut 06469.

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 14,794,199
Investments	8,159,760
Receivables, net	792,602
Due from fiduciary funds	4,389
Inventory	4,153
Capital assets not being depreciated	24,568,089
Capital assets being depreciated, net	69,203,384
Total assets	<u>117,526,576</u>
Deferred Outflows of Resources:	
Deferred charges on refunding	559,791
Changes related to pensions	140,412
Total deferred outflows of resources	<u>700,203</u>
Liabilities:	
Accounts and other payables	1,138,085
Unearned revenue	367,187
Bond anticipation notes	19,200,000
Noncurrent liabilities:	
Due within one year	1,912,717
Due in more than one year	14,474,796
Total liabilities	<u>37,092,785</u>
Deferred Inflows of Resources:	
Changes related to pensions	72,493
Changes related to OPEB	28,350
Total deferred inflows of resources	<u>100,843</u>
Net Position:	
Net investment in capital assets	64,367,142
Restricted for trust purposes	439,793
Unrestricted	16,226,216
Total Net Position	<u>\$ 81,033,151</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, 2018**

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	\$ 3,696,758	\$ 410,105	\$ 34,684	\$ 73,078	\$ (3,178,891)
Public safety	1,265,893	252,233	4,307		(1,009,353)
Public works	2,915,173	235,423		498,290	(2,181,460)
Health and welfare	519,306	10,979	86,544		(421,783)
Recreation and leisure	669,532	174,630	8,357		(486,545)
Education	25,684,644	184,566	8,331,438		(17,168,640)
Interest on long-term debt	666,844				(666,844)
Total	\$ 35,418,150	\$ 1,267,936	\$ 8,465,330	\$ 571,368	(25,113,516)
General revenues:					
Property taxes					25,636,943
Grants and contributions not restricted to specific programs					97,218
Unrestricted net investment income					655,949
Other					131,586
Total general revenues					<u>26,521,696</u>
Change in net position					1,408,180
Net Position at Beginning of Year, as Restated					<u>79,624,971</u>
Net Position at End of Year					<u>\$ 81,033,151</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>Bonded Capital Projects Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 8,104,872	\$ 6,385,575	\$	\$ 103,600	\$ 165,683	\$ 14,759,730
Investments				7,149,070	1,010,690	8,159,760
Receivables, net	584,072	15,512	67,081		125,937	792,602
Due from other funds	297,038		2,695,900		357,001	3,349,939
Other					4,153	4,153
Total Assets	<u>\$ 8,985,982</u>	<u>\$ 6,401,087</u>	<u>\$ 2,762,981</u>	<u>\$ 7,252,670</u>	<u>\$ 1,663,464</u>	<u>\$ 27,066,184</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 545,521	\$ 37,846	\$ 424,003	\$	\$ 46,358	\$ 1,053,728
Due to other funds	3,052,901	276,842			15,807	3,345,550
Unearned revenue	9,298		143,914		213,975	367,187
Bond anticipation notes payable			19,200,000			19,200,000
Total liabilities	<u>3,607,720</u>	<u>314,688</u>	<u>19,767,917</u>	<u>-</u>	<u>276,140</u>	<u>23,966,465</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	259,175					259,175
Unavailable revenue - loans receivable	13,000					13,000
Total deferred inflows of resources	<u>272,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,175</u>
Fund balances:						
Nonspendable				400,000	43,946	443,946
Restricted				6,852,670	1,154,751	8,007,421
Committed		6,086,399			48,126	6,134,525
Assigned	164,554				150,509	315,063
Unassigned	4,941,533		(17,004,936)		(10,008)	(12,073,411)
Total fund balances	<u>5,106,087</u>	<u>6,086,399</u>	<u>(17,004,936)</u>	<u>7,252,670</u>	<u>1,387,324</u>	<u>2,827,544</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,985,982</u>	<u>\$ 6,401,087</u>	<u>\$ 2,762,981</u>	<u>\$ 7,252,670</u>	<u>\$ 1,663,464</u>	<u>\$ 27,066,184</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

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)	\$ 2,827,544
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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	\$ 123,173,777	
Less accumulated depreciation	<u>(29,402,304)</u>	
Net capital assets		93,771,473

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

Property tax receivables greater than 60 days	216,232
Interest receivable on property taxes	42,943
Loans receivables	13,000
Deferred amounts on refunding	559,791
Deferred outflows related to pensions	140,412

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.

23,975

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

Bonds and notes payable	(12,880,000)
Interest payable on bonds and notes	(73,863)
Compensated absences	(1,237,818)
Bond premium	(580,022)
Termination benefits	(84,856)
Net OPEB obligation	(1,198,402)
Deferred inflows related to pensions	(72,493)
Deferred inflows related to OPEB	(28,350)
MERS prior service costs	(21,820)
Net pension liability	<u>(384,595)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u><u>81,033,151</u></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, 2018**

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>Bonded Capital Projects Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 25,801,748	\$	\$	\$	\$	\$ 25,801,748
Intergovernmental	8,052,065	72,678	400		820,846	8,945,989
Charges for services	730,344				515,711	1,246,055
Income on investments	55,846	21,210		519,436	59,457	655,949
Miscellaneous	233,071	40,000			54,055	327,126
Total revenues	<u>34,873,074</u>	<u>133,888</u>	<u>400</u>	<u>519,436</u>	<u>1,450,069</u>	<u>36,976,867</u>
Expenditures:						
Current:						
General government	3,441,814	79,370			16,468	3,537,652
Public safety	1,095,653				66,880	1,162,533
Public works	1,983,479				204,581	2,188,060
Health and welfare	450,928				113,421	564,349
Recreation and leisure	543,245				94,731	637,976
Education	23,916,218			61,114	987,250	24,964,582
Debt service	1,771,824	241,004				2,012,828
Capital outlay		600,993	13,083,372		11,000	13,695,365
Total expenditures	<u>33,203,161</u>	<u>921,367</u>	<u>13,083,372</u>	<u>61,114</u>	<u>1,494,331</u>	<u>48,763,345</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,669,913</u>	<u>(787,479)</u>	<u>(13,082,972)</u>	<u>458,322</u>	<u>(44,262)</u>	<u>(11,786,478)</u>
Other Financing Sources (Uses):						
Transfers in	340,639	1,382,103			123,676	1,846,418
Transfers out	(1,505,779)			(309,376)	(31,263)	(1,846,418)
Total other financing sources (uses)	<u>(1,165,140)</u>	<u>1,382,103</u>	<u>-</u>	<u>(309,376)</u>	<u>92,413</u>	<u>-</u>
Net Change in Fund Balances	504,773	594,624	(13,082,972)	148,946	48,151	(11,786,478)
Fund Balances at Beginning of Year	<u>4,601,314</u>	<u>5,491,775</u>	<u>(3,921,964)</u>	<u>7,103,724</u>	<u>1,339,173</u>	<u>14,614,022</u>
Fund Balances at End of Year	<u>\$ 5,106,087</u>	<u>\$ 6,086,399</u>	<u>\$ (17,004,936)</u>	<u>\$ 7,252,670</u>	<u>\$ 1,387,324</u>	<u>\$ 2,827,544</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, 2018**

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)	\$ (11,786,478)
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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	13,735,459
Depreciation expense	(1,515,518)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets.	(24,568)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(146,099)
Property tax interest and lien revenue - accrual basis change	(18,706)
Loans receivable	13,000

Change in deferred outflows related to pensions	(65,783)
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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	1,330,000
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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	(153,418)
Accrued interest	13,471
MERS prior service costs	10,910
Termination payments	(1,428)
Amortization of deferred charge on refunding	(53,740)
Amortization of bond premiums	56,253
Change in deferred inflows related to pensions	(20,544)
Change in deferred inflows related to OPEB	(28,350)
Change in net pension liability	114,693
Change in total OPEB liability	(24,177)

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>(26,797)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 1,408,180</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018**

	<u>Governmental Activities Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 34,469
Liabilities:	
Accounts and other payables	<u>10,494</u>
Net Position:	
Unrestricted	<u><u>\$ 23,975</u></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, 2018**

	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:	
Employee contribution	\$ <u>42,530</u>
Operating Expenses:	
Administrative expense	5,405
Employee benefits	<u>63,922</u>
Total operating expenses	<u>69,327</u>
Operating Loss	(26,797)
Net Position at Beginning of Year	<u>50,772</u>
Net Position at End of Year	\$ <u><u>23,975</u></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, 2018**

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from employees	\$ 42,530
Cash payments to providers of benefits and administration	(68,227)
Net cash provided by (used in) operating activities	<u>(25,697)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(25,697)
Cash and Cash Equivalents at Beginning of Year	<u>60,166</u>
Cash and Cash Equivalents at End of Year	<u>\$ 34,469</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (26,797)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Change in assets and liabilities:	
(Decrease) Increase in accounts payable	<u>1,100</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (25,697)</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, 2018

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 244,234	\$ 340,805
Investments	4,218,335	
	<u> </u>	<u> </u>
Total Assets	4,462,569	\$ <u>340,805</u>
Liabilities:		
Due to other funds	4,389	\$
Accounts and other payables		340,805
	<u> </u>	<u> </u>
Total Liabilities	4,389	\$ <u>340,805</u>
Net Position:		
Held in Trust for Pension Benefits	\$ <u>4,458,180</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, 2018**

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 216,235
Plan members	175,885
Total contributions	<u>392,120</u>
Investment income:	
Net change in fair value of investments	17,023
Interest and dividends	239,673
Net investment income	<u>256,696</u>
Total additions	<u>648,816</u>
Deductions:	
Benefits	148,480
Administration	16,518
Total deductions	<u>164,998</u>
Net Increase	483,818
Net Position at Beginning of Year	<u>3,974,362</u>
Net Position at End of Year	<u>\$ 4,458,180</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018**

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.

The Bonded Capital Projects Fund is used to account for capital purchases funded from general obligation bonds.

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 Fund accounts 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, 2018**

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 fund is charges to customers for benefits. Operating expenses for the Internal Service Fund includes 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 \$28,976 has been established as an allowance for uncollectible taxes. At June 30, 2018, this represents 9.00% 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, 2018**

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 a deferred charge on refunding and deferred outflows related to pension and other postemployment benefits other than pensions (OPEB) in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, differences between projected and actual earnings on investments and contributions subsequent to the measurement date. These amounts are deferred and included in pension and OPEB 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).

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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 and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from changes in projected investment earnings, change in proportionate share of the liability and difference between expected and actual experience. These amounts are deferred and included in pension and OPEB 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 and OPEB 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 property taxes and loans receivable. This amount is deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

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, 2018 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 \$1,237,818. 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.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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.”

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, 2018 totaled \$84,856. 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. Total OPEB Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

O. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues expenditures during the fiscal year.

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 Selectmen 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 \$4,410 in supplemental appropriations during the year, and no appropriations were carried over to fiscal year 2019.

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.

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

- The Town does not budget for revenue or expenditures for pension contributions made by the State of Connecticut for East Haddam teachers or reimbursements for special education excess costs. The amount of these contributions were \$3,596,260 and \$217,221, respectively.
- The Maintenance, Technology and Grange Hall Funds are combined for financial reporting purposes rather than 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.

Expenditures over Appropriations

Several individual lines within the General Fund budget in which expenditures exceeded appropriations were due to additional administrative costs, staffing reassignments, unanticipated repairs, and greater private duty activity (resulting in greater revenue) which are shown in the following budget lines:

<u>Department</u>	<u>Amount</u>
Legal services	\$ 29,120
Police officers	33,936
General highways	2,982
Town garage maintenance	1,809
Transfer station	3,175
Recreation commission	2,784
Greens maintenance	2,159
Debt service	<u>436</u>
 Total	 \$ <u><u>76,401</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.

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

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. 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*, \$15,316,532 of the Town’s bank balance of \$16,187,194 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,723,817
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,592,715</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 15,316,532</u>

Cash Equivalents

At June 30, 2018, the Town’s cash equivalents amounted to \$57,595. 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
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Investments

As of June 30, 2018, 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	*	\$ 106,136	\$ 106,136	\$	\$
Corporate bonds	Aaa	39,594		39,594	
Corporate bonds	Aa1	2,784		2,784	
Corporate bonds	Aa2	3,838		3,838	
Corporate bonds	A1	25,045		25,045	
Corporate bonds	A2	43,567	17,921	25,646	
Corporate bonds	A3	20,856		20,856	
Corporate bonds	Baa1	7,065		7,065	
Corporate bonds	Baa2	2,906		2,906	
Corporate bonds	Baa3	4,976		4,976	
U.S. Government obligations	Aaa	<u>648,369</u>	<u>316,880</u>	<u>298,066</u>	<u>33,423</u>
Total		905,136	<u>\$ 440,937</u>	<u>\$ 430,776</u>	<u>\$ 33,423</u>
Other investments:					
Common stock	N/A	4,563,104			
Mutual funds	N/A	5,393,576			
Alternative investments	N/A	<u>1,516,279</u>			
Total		<u>\$ 12,378,095</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.

**TOWN OF EAST HADDAM, CONNECTICUT
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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, 2018, the Town had \$4,563,104 uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2018:

	<u>June 30, 2018</u>	<u>Fair Value Measurements Using</u>	
		<u>Level 1</u>	<u>Level 2</u>
Investments by Fair Value Level:			
U.S. Government securities	\$ 648,369	\$ 648,369	\$
Corporate bonds	150,631	150,631	
Common stock	4,563,104	4,563,104	
Mutual funds	5,393,576	1,175,240	4,218,336
Alternative investments	<u>1,516,279</u>		<u>1,516,279</u>
 Total Investments by Fair Value Level	 <u>\$ 12,271,959</u>	 <u>\$ 6,537,344</u>	 <u>\$ 5,734,615</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 3 investments.

**TOWN OF EAST HADDAM, CONNECTICUT
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JUNE 30, 2018**

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>Bonded Capital Projects Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Interest	\$ 42,943	\$	\$	\$	\$ 42,943
Taxes	316,173				316,173
Accounts	85,726			19,510	105,236
Intergovernmental	168,206	15,512	67,081	106,427	357,226
Gross receivables	<u>613,048</u>	<u>15,512</u>	<u>67,081</u>	<u>125,937</u>	<u>821,578</u>
Less allowance for uncollectibles	<u>(28,976)</u>				<u>(28,976)</u>
Net Total Receivables	<u>\$ 584,072</u>	<u>\$ 15,512</u>	<u>\$ 67,081</u>	<u>\$ 125,937</u>	<u>\$ 792,602</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	\$ 9,734,119	\$	\$	\$ 9,734,119
Construction in progress	2,276,164	12,712,006	(154,200)	14,833,970
Total capital assets not being depreciated	<u>12,010,283</u>	<u>12,712,006</u>	<u>(154,200)</u>	<u>24,568,089</u>
Capital assets being depreciated:				
Buildings and improvements	68,044,537	776,443		68,820,980
Furniture and equipment	9,203,470	239,143	(176,864)	9,265,749
Infrastructure	20,356,892	162,067		20,518,959
Total capital assets being depreciated	<u>97,604,899</u>	<u>1,177,653</u>	<u>(176,864)</u>	<u>98,605,688</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,819,410)	(727,352)		(16,546,762)
Furniture and equipment	(5,316,727)	(362,803)	152,296	(5,527,234)
Infrastructure	(6,902,945)	(425,363)		(7,328,308)
Total accumulated depreciation	<u>(28,039,082)</u>	<u>(1,515,518)</u>	<u>152,296</u>	<u>(29,402,304)</u>
Total capital assets being depreciated, net	<u>69,565,817</u>	<u>(337,865)</u>	<u>(24,568)</u>	<u>69,203,384</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,576,100</u>	<u>\$ 12,374,141</u>	<u>\$ (178,768)</u>	<u>\$ 93,771,473</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	\$ 102,515
Public safety	144,407
Public works	694,594
Health and welfare	30,697
Recreation and leisure	62,185
Education	<u>481,120</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>1,515,518</u></u>

The Town had active construction commitments at June 30, 2018. The Town's commitments with contractors were as follows:

<u>Project Description</u>	<u>Remaining Commitment</u>
Town Wide Radios	\$ 1,771,127
Municipal Office Complex	1,142,630

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, 2018 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Bonded Capital Projects Fund	General Fund	\$ 2,695,900
General Fund	Reserve for Capital Projects	276,842
Nonmajor Governmental Funds	General Fund	357,001
General Fund	Nonmajor Governmental Funds	15,807
General Fund	Pension Trust Fund	<u>4,389</u>
		 \$ <u><u>3,349,939</u></u>

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

**TOWN OF EAST HADDAM, CONNECTICUT
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Interfund transfers:

	Transfers In			Total
	General Fund	Reserve for Capital Projects	Nonmajor Governmental	
Transfers out:				
General Fund	\$	\$ 1,382,103	\$ 123,676	\$ 1,505,779
A.E. Purple Fund	309,376			309,376
Nonmajor Governmental Funds	31,263			31,263
Total	\$ 340,639	\$ 1,382,103	\$ 123,676	\$ 1,846,418

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

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 12,910,000	\$	\$ 1,120,000	\$ 11,790,000	\$ 1,170,000
Notes payable	1,300,000		210,000	1,090,000	210,000
Bond premiums	636,275		56,253	580,022	
Total bonds payable	14,846,275	-	1,386,253	13,460,022	1,380,000
OPEB liability	1,174,225	24,177		1,198,402	
Net pension liability	499,288		114,693	384,595	
Compensated absences	1,084,400	186,169	32,751	1,237,818	471,161
MERS prior service costs	32,730		10,910	21,820	10,910
Termination benefits	83,428	1,428		84,856	50,646
Governmental Activity Long-Term Liabilities	\$ 17,720,346	\$ 211,774	\$ 1,544,607	\$ 16,387,513	\$ 1,912,717

**TOWN OF EAST HADDAM, CONNECTICUT
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A schedule of bonds and notes outstanding at June 30, 2018 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, 2018</u>
Bonds and notes:					
General obligation	2010	2031	2.0-3.75	\$ 1,688,705	\$ 1,155,000
School	2010	2031	2.0-3.75	2,136,298	1,470,000
Notes payable	2013	2024	1.5-2.5	2,395,000	1,090,000
Refunding bonds	2015	2028	1.5-2.5	9,165,000	9,165,000
					<u>\$ 12,880,000</u>

The following is a schedule of principal and interest requirements to maturity:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,380,000	\$ 387,688
2020	1,370,000	338,576
2021	1,360,000	298,704
2022	1,345,000	268,526
2023	1,305,000	220,151
2024-2028	5,495,000	549,003
2029-2031	625,000	35,945
	<u>\$ 12,880,000</u>	<u>\$ 2,098,593</u>

A summary of bonds authorized unissued is presented below:

<u>Project</u>	<u>Authorization</u>	<u>Bonds and Notes Issued</u>	<u>Grants/ Contributions</u>	<u>Authorized Unissued</u>
Open Space	\$ 5,894,500	\$ 2,188,705	\$ 1,149,000	\$ 2,556,795
Middle School Project	34,118,000	18,506,295	15,340,252	271,453 *
East Haddam Elementary School	2,707,000	2,300,000	363,832	43,168 *
Municipal Office Complex	15,000,000	15,000,000		
Firehouse Improvements	508,000	500,000		8,000
Town-wide Radio System Improvements	2,100,000	1,400,000		700,000
Total	<u>\$ 60,327,500</u>	<u>\$ 39,895,000</u>	<u>\$ 16,853,084</u>	<u>\$ 3,579,416</u>

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

**TOWN OF EAST HADDAM, CONNECTICUT
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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	\$ 57,004	\$ 31,575	\$ 25,429
Schools	114,008	4,084	109,924
Sewers	95,006		95,006
Urban renewal	82,339		82,339
Pension deficit	76,005		76,005

*In no case shall total indebtedness exceed seven times annual receipts from taxation (\$177,345).

**Indebtedness includes bonds authorized unissued of \$271 related to the Middle School, \$43 for East Haddam Elementary, Firehouse and Radio system improvements for \$708 and \$2,557 related to open space.

Bond Anticipation Notes

The Town issued bond anticipation notes on March 8, 2018 for \$19,200,000 maturing on September 6, 2018 with an interest rate of 1.53%. The following is a schedule of bond anticipation note activity for the fiscal year ended June 30, 2018:

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
Municipal Office Complex, Elementary School Renovations, Town-Wide Radios, Firehouse Renovations	6/8/2017	3/8/2018	1.25 %	\$ 12,800,000	\$	\$ 12,800,000	-
Municipal Office Complex, Elementary School Renovations, Town-Wide Radios, Firehouse Renovations	6/8/2017	3/8/2018	1.23 %	5,000,000		5,000,000	-
Municipal Office Complex, Elementary School Renovations, Town-Wide Radios, Firehouse Renovations	3/8/2018	9/6/2018	1.53 %		19,200,000		19,200,000
				<u>\$ 17,800,000</u>	<u>\$ 19,200,000</u>	<u>\$ 17,800,000</u>	<u>\$ 19,200,000</u>

Compensated Absences

Accrued sick and vacation pay for general government operations is \$385,827, and the amount for the Board of Education is \$851,991. This is an increase of \$153,418 from the previous year. The Board of Education has liabilities of \$84,856 related to retirement incentives and sick pay buyouts at retirement.

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.

**TOWN OF EAST HADDAM, CONNECTICUT
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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 2018, expenses of \$69,327 were incurred for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,494 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>
2017-2018	\$ 9,394	\$	69,327	\$	68,227	\$	10,494
2016-2017	10,200		61,562		62,368		9,394

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 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 July 1, 2017, the plan’s membership consisted of:

Retiree and beneficiaries currently receiving benefits	40
Inactive with deferred benefits	13
Current active members	<u> </u>
Total	<u> 53</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.

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.

**TOWN OF EAST HADDAM, CONNECTICUT
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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 \$5 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, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
International fixed income	5.0%
Domestic fixed income	30.0%
Domestic Equities	55.0%
International Equities	5.0%
Cash	<u>5.0%</u>
 Total	 <u><u>100.0%</u></u>

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF EAST HADDAM, CONNECTICUT
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Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

The components of the net pension liability of the Town at June 30, 2018 were as follows:

Total pension liability	\$	694,361
Plan fiduciary net position		<u>(640,383)</u>
Town's Net Pension Liability	\$	<u><u>53,978</u></u>
Plan fiduciary net position as a percentage of the total pension liability		92.23%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	N/A
Investment rate of return	5.50%

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

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, 2018 (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>
International fixed income	1.5%
Domestic fixed income	40.0%
Domestic Equities	5.0%
International Equities	7.5%
Cash	2.4%

**TOWN OF EAST HADDAM, CONNECTICUT
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Discount Rate

The discount rate used to measure the total pension liability was 5.50%. 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 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2017	\$ 679,344	\$ 572,629	\$ 106,715
Changes for the year:			
Service cost	12,269		12,269
Interest on total pension liability	37,156		37,156
Differences between expected and actual experience	(2,308)		(2,308)
Employer contributions		59,739	(59,739)
Net investment income		56,633	(56,633)
Benefit payments, including refund to employee contributions	(32,100)	(32,100)	-
Administrative expenses		(16,518)	16,518
Net changes	15,017	67,754	(52,737)
Balances as of June 30, 2018	\$ 694,361	\$ 640,383	\$ 53,978

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 5.50%, 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 (4.50%) or 1 percentage point higher (6.50%) than the current rate:

	Current		
	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Town's Net Pension Liability	\$ 140,735	\$ 53,978	\$ (21,805)

**TOWN OF EAST HADDAM, CONNECTICUT
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized pension expense of \$26,387. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Employees' Pension Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,308	\$ 3,498
Changes of assumptions	3,031	564
Net difference between projected and actual earning on pension plan investments	<u>13,137</u>	<u>40,430</u>
Total	<u>\$ 30,476</u>	<u>\$ 44,492</u>

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

Year Ending June 30,

2019	\$	(1,928)
2020		(3,681)
2021		(9,372)
2022		(2,564)
2023		2,435
Thereafter		1,094

**TOWN OF EAST HADDAM, CONNECTICUT
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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 \$187,025 and employer contributions were \$154,039 to the plan. These amounts represent 5.5% and 4.5%, respectively, of covered payroll of \$3,427,332. Total Town and Board of Education payroll amounted to \$15,705,418.

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	\$ 142,537	\$ 101,697	\$ 244,234
Investments	<u>3,675,260</u>	<u>543,075</u>	<u>4,218,335</u>
Total assets	3,817,797	644,772	4,462,569
Liabilities:			
Due to other funds		<u>4,389</u>	<u>4,389</u>
Net Position:			
Held in Trust for Pension Benefits	<u>\$ 3,817,797</u>	<u>\$ 640,383</u>	<u>\$ 4,458,180</u>

**TOWN OF EAST HADDAM, CONNECTICUT
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Statement of Changes in Plan Assets

	Pension Trust Funds		
	Employee Savings Plan	Firefighters Incentive Plan	Total Trust Funds
Additions:			
Contributions:			
Employer	\$ 156,496	\$ 59,739	\$ 216,235
Plan members	175,885		175,885
Total contributions	<u>332,381</u>	<u>59,739</u>	<u>392,120</u>
Investment income:			
Net change in fair value of investments		17,023	17,023
Interest and dividends	200,063	39,610	239,673
Net investment income	<u>200,063</u>	<u>56,633</u>	<u>256,696</u>
Total additions	<u>532,444</u>	<u>116,372</u>	<u>648,816</u>
Deductions:			
Benefits	116,380	32,100	148,480
Administration		16,518	16,518
Total deductions	<u>116,380</u>	<u>48,618</u>	<u>164,998</u>
Change in Net Position	416,064	67,754	483,818
Net Position at Beginning of Year	<u>3,401,733</u>	<u>572,629</u>	<u>3,974,362</u>
Net Position at End of Year	<u>\$ 3,817,797</u>	<u>\$ 640,383</u>	<u>\$ 4,458,180</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.

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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 1 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. There were six volunteers have met this eligibility requirement by the end of the fiscal year.

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.

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.

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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.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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

At June 30, 2018, 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>31,090,473</u>
Total	<u>\$ 31,090,473</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2018, the Town recognized pension expense and revenue of \$3,596,260 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.5%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2018 with Scale BB is used for the period after disability retirement.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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%	0.4%
Total	<u>100.0%</u>	

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 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 active service, or 15 years of active noncontinuous aggregate service. In addition, compulsory retirement is at age 65 for police and fire members. Employees under the age of 55 are eligible to retire with 25 years of service under certain conditions.

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.

If any member covered by social security retires before age 62, the member's benefit until the member reaches age 62, or a social security disability award is received, is computed as if the member is not under social security.

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.

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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.

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, 2018, the Town reports a liability of \$330,617 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at June 30, 2017. 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, 2018, the Town's proportion was .12%. There was no change in proportion from 2017.

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For the year ended June 30, 2018, the Town recognized pension expense of \$69,633. At June 30, 2018, the Town reported deferred outflows and outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Town contributions subsequent to the measurement date	\$ 72,861	\$
Net difference between projected and actual earning on pension plan investments	26,474	
Differences between expected and actual experience	6,285	
Change in proportionate share	<u>4,316</u>	<u>28,001</u>
Total	<u>\$ 109,936</u>	<u>\$ 28,001</u>

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:

Year Ending June 30,

2019	\$ 75,375
2020	18,982
2021	2,261
2022	<u>(14,683)</u>
Total	<u>\$ 81,935</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	16%	5.8%
Developed non-U.S. equities	14%	6.6%
Emerging markets (non-U.S.)	7%	8.3%
Core fixed income	8%	1.3%
Inflation linked bond fund	5%	1.0%
Emerging market bond	8%	3.7%
High yield bonds	14%	3.9%
Real estate	7%	5.1%
Private equity	10%	7.6%
Alternative investments	8%	4.1%
Liquidity fund	3%	0.4%
Total	<u>100%</u>	

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.

**TOWN OF EAST HADDAM, CONNECTICUT
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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</u> <u>(7.00%)</u>	<u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Town's Proportionate Share of the Net Pension Liability	\$ 814,848	\$ 330,617	\$ (76,997)

Payable to MERS

The Town has recorded \$21,820 as a long-term payable to MERS at June 30, 2018. This amount represents prior service costs calculated when the Town entered the plan.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Post-Retirement Medical Program

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. The RMP is administered by the Town. Plan provisions are determined by union contract and may be amended through union negotiations.

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.

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.

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Benefits Provided

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.

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at June 30, 2018, the date of the last actuarial valuation:

Inactive employees currently receiving benefit payments	7
Active employees	139
	139
Total	146

Total OPEB Liability

The Town’s total OPEB liability of \$1,198,402 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

**TOWN OF EAST HADDAM, CONNECTICUT
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Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	3.0% per year	
Salary increases	3.50%	
Discount rate	3.87%	
Healthcare cost trend rates	FYE	Medical/Rx
	2019	8.50%
	2020	8.00%
	2021	7.50%
	2022	7.00%
	2023	6.50%
	2024	6.00%
	2025	5.50%
	2026	5.00%

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating a AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates were based on RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of July 1, 2017	\$ <u>1,174,225</u>
Changes for the year:	
Service cost	55,672
Interest on total OPEB liability	43,053
Changes in assumptions or other inputs	(33,075)
Benefit payments	<u>(41,473)</u>
Net changes	<u>24,177</u>
Balance as of June 30, 2018	\$ <u><u>1,198,402</u></u>

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 25% in 2018 to 45% in 2019.

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Changes of assumptions and other inputs reflect a change in the discount rate from 4.37% in 2018 to 4.00% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 1,308,624	\$ 1,198,402	\$ 1,098,196

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.5% decreasing to 4.0%) or 1 percentage point higher (9.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	<u>1% Decrease (7.5% Decreasing to 4.0%)</u>	<u>Healthcare Cost Trend Rates (8.5% Decreasing to 5.0%)</u>	<u>1% Increase (9.5% Decreasing to 6.0%)</u>
Total OPEB Liability	\$ 1,065,768	\$ 1,198,402	\$ 1,352,732

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$94,000. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs	\$ <u>28,350</u>

**TOWN OF EAST HADDAM, CONNECTICUT
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 4,725
2020	4,725
2021	4,725
2022	4,725
2023	4,725
Thereafter	4,725

B. State Teachers Retirement Plan

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers’ Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit Provisions

There are two types of the health care benefits offered through the System. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree’s share of the cost of coverage, and any remaining portion is used to offset the district’s cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

Those participants electing vision, hearing and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the plan for these benefits.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

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.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of credited service.

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

**TOWN OF EAST HADDAM, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, 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. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

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

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Town reports no amounts for its proportionate share of the net OPEB 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 OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Town		<u>8,002,327</u>
Total	\$	<u><u>8,002,327</u></u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$370,868 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, 2018**

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

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

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

11. FUND BALANCES

A. Components

	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Bonded Capital Projects Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 4,153	\$ 4,153
Endowment				400,000	39,793	439,793
Restricted for:						
Capital projects					791,160	791,160
Recreation					72,542	72,542
Education				6,852,670		6,852,670
Health and welfare					235,615	235,615
Sewer use					55,434	55,434
Committed to:						
General government					5,470	5,470
Recreation					18,421	18,421
Education					24,235	24,235
Open space		6,086,399				6,086,399
Assigned to:						
Education	164,554				90,789	255,343
Public safety					59,720	59,720
Unassigned	4,941,533		(17,004,936)		(10,008)	(12,073,411)
Total Fund Balances	\$ 5,106,087	\$ 6,086,399	\$ (17,004,936)	\$ 7,252,670	\$ 1,387,324	\$ 2,827,544

Significant encumbrances at June 30, 2018 are contained in the above table in the assigned categories of the General Fund of \$164,554.

B. Fund Deficits

The Capital Grants fund, a nonmajor special revenue fund, has a deficit fund balance of \$10,008 due to expenditures exceeding anticipated grant revenues. This deficit will be funded by General Fund contributions. The Bonded Capital Projects Fund has a deficit of \$17,004,936 due to timing of projects and will be funded by future bonding.

**TOWN OF EAST HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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 the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

Governmental Activities:

Net position at June 30, 2017, as previously reported	\$ 80,639,240
Adjustments:	
Eliminate net OPEB obligation reported per GASB No. 45	159,956
Record starting total OPEB liability per GASB No. 75	<u>(1,174,225)</u>
Net Position at July 1, 2017, as Restated	\$ <u>79,624,971</u>

13. SUBSEQUENT EVENTS

On September 6, 2018, the Town issued \$5,400,000 of general obligation bond anticipation notes with an interest rate of 1.9% and a maturity date of June 6, 2019.

14. 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.

**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, 2018**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Property taxes:				
Current and prior years' levies	\$ 25,390,957	\$ 25,390,957	\$ 25,608,133	\$ 217,176
Interest and penalties	140,000	140,000	180,978	40,978
Other taxes	7,190	7,190	12,637	5,447
Total property taxes	<u>25,538,147</u>	<u>25,538,147</u>	<u>25,801,748</u>	<u>263,601</u>
Intergovernmental revenues:				
General government:				
Chester Assessor agreement	51,545	51,545	39,225	(12,320)
PILOT State property	23,049	23,049	7,709	(15,340)
Casino funds	27,066	27,066	27,051	(15)
State highway - Town Aid Road	331,211	331,211	325,382	(5,829)
Local Capital Improvement Program	161,316	161,316	160,883	(433)
Municipal Revenue Sales Tax Sharing	268,344	268,344		(268,344)
Emergency Management Grant	4,100	4,100	4,100	-
Miscellaneous allotments	25,000	25,000	56,440	31,440
Tax Relief:				
Circuit Breaker	34,265	34,265		(34,265)
Disability	675	675	542	(133)
Veterans	5,958	5,958	5,476	(482)
Education:				
Adult Education	5,604	5,604	5,891	287
Education Cost Sharing/Special	2,977,200	2,977,200	3,205,233	228,033
Total intergovernmental revenues	<u>3,915,333</u>	<u>3,915,333</u>	<u>3,837,932</u>	<u>(77,401)</u>
Investment and interest income:				
Investment income	<u>31,256</u>	<u>31,256</u>	<u>55,846</u>	<u>24,590</u>
Local revenue:				
Assessor fees	300	300	293	(7)
Building Department	110,000	110,000	104,105	(5,895)
Cemeteries	2,360	2,360	2,098	(262)
Fire permits	200	200	60	(140)
Historic District permits	300	300	195	(105)
Land Use Offices permit fees	20,000	20,000	23,774	3,774
Other	25,000	25,000	35,578	10,578
PILOT Goodspeed Opera House	29,469	29,469	29,784	315
Police special duty	24,000	24,000	102,323	78,323
Rents	20,000	20,000	21,986	1,986

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**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, 2018**

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Local revenue (continued):				
Telecommunications	\$ 26,800	\$ 26,800	\$ 22,520	\$ (4,280)
Conveyance tax	100,000	100,000	115,945	15,945
Town Clerk fees	160,000	160,000	171,239	11,239
Town Clerk licenses	22,000	22,000	17,903	(4,097)
Sanitation/Transfer Station	40,000	40,000	50,736	10,736
Zoning Board of Appeals	1,000	1,000	1,300	300
Libraries:				
Library endowment and trust income	57,500	57,500	54,881	(2,619)
Library fees and fines	6,500	6,500	9,003	2,503
Library receipts - gifts and donations	9,000	9,000	7,983	(1,017)
Total local revenue	<u>654,429</u>	<u>654,429</u>	<u>771,706</u>	<u>117,277</u>
Other:				
Ray School Corporation	195,000	195,000	203,779	8,779
Helon Cone Trust	19,000	19,000	21,209	2,209
Total other	<u>214,000</u>	<u>214,000</u>	<u>224,988</u>	<u>10,988</u>
Total revenues	30,353,165	30,353,165	30,692,220	339,055
Other financing sources:				
Transfers from other funds:				
Albert E. Purple Fund	298,504	298,504	309,376	10,872
Palmer Fund	30,542	30,542	31,263	721
Reliance on fund balance	100,000	100,000		(100,000)
Total Revenues and Other Financing Sources	<u>\$ 30,782,211</u>	<u>\$ 30,782,211</u>	31,032,859	<u>\$ 250,648</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 - Pension	3,596,260
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted - OPEB	370,868
Cancellation of prior year encumbrances are recognized as budgetary revenue	(3,995)
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes	217,221
Grange Hall revenue included in General Fund for GAAP purposes, but separate for budgetary purposes	<u>500</u>

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

\$ 35,213,713

**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance (Over) Under</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Assessor	\$ 132,161	\$ 132,161	\$ 131,032	\$ 1,129
Building maintenance and operation	21,786	21,786	19,720	2,066
Central services	104,930	104,930	96,668	8,262
Elections and registrars	52,000	52,000	38,676	13,324
Finance Office	67,673	67,673	65,715	1,958
Planning and Zoning/Land Use Office	144,679	144,679	126,278	18,401
Municipal Office Complex	108,400	108,400	103,658	4,742
Probate Court	12,115	12,115	12,115	-
Selectmen	157,985	157,985	155,431	2,554
Tax Collector	90,747	90,747	87,289	3,458
Town Clerk	222,573	222,573	218,138	4,435
Board of Finance	134,150	134,150	55,418	78,732
Fringe benefits	902,579	902,579	894,929	7,650
Insurance	230,131	230,131	220,286	9,845
Legal services	63,000	63,000	92,120	(29,120)
Board of Assessment Appeals	3,340	3,340	2,722	618
Agriculture Commission	250	250		250
Conservation Commission	15,250	15,250	14,093	1,157
Economic Development Commission	47,650	47,650	30,224	17,426
Historic District Commission	1,130	1,130	628	502
Open Space Committee	6,450	6,450	352	6,098
Zoning Board of Appeals	2,400	2,400	742	1,658
Shared services	1,128,454	1,128,454	1,087,112	41,342
Total general government	<u>3,649,833</u>	<u>3,649,833</u>	<u>3,453,346</u>	<u>196,487</u>
Public safety:				
Building Department	120,493	120,493	81,819	38,674
Emergency management	98,165	98,165	98,066	99
Fire Department	283,170	283,170	282,706	464
Fire Marshal	35,196	35,196	30,929	4,267
Paramedic Services	9,126	9,126	9,126	-
Police officers	383,766	383,766	417,702	(33,936)
Resident trooper	198,485	198,485	181,861	16,624
Total public safety	<u>1,128,401</u>	<u>1,128,401</u>	<u>1,102,209</u>	<u>26,192</u>

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**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>(Over)</u> <u>Under</u>
Public works:				
General highways	\$ 1,073,901	\$ 1,073,901	\$ 1,076,883	\$ (2,982)
Snow removal	266,652	266,652	256,802	9,850
Town garage maintenance	59,197	59,197	61,006	(1,809)
Transfer Station	600,320	600,320	603,495	(3,175)
Total public works	<u>2,000,070</u>	<u>2,000,070</u>	<u>1,998,186</u>	<u>1,884</u>
Health and welfare:				
Cemeteries	10,170	10,170	10,140	30
Health District	99,952	99,952	99,812	140
Human Services	4,920	4,920	3,320	1,600
Senior Services	139,245	139,245	133,529	5,716
Youth and Family Services	204,304	204,304	204,304	-
Total health and welfare	<u>458,591</u>	<u>458,591</u>	<u>451,105</u>	<u>7,486</u>
Recreation and leisure:				
Lakes Association	20,000	20,000	15,562	4,438
Public Libraries	364,255	364,255	358,062	6,193
Recreation Commission	121,795	121,795	124,579	(2,784)
Greens maintenance	57,283	57,283	59,442	(2,159)
Total recreation and leisure	<u>563,333</u>	<u>563,333</u>	<u>557,645</u>	<u>5,688</u>
Board of Education	<u>19,709,226</u>	<u>19,709,226</u>	<u>19,687,444</u>	<u>21,782</u>
Debt service	<u>1,771,388</u>	<u>1,771,388</u>	<u>1,771,824</u>	<u>(436)</u>
Total expenditures	<u>29,280,842</u>	<u>29,280,842</u>	<u>29,021,759</u>	<u>259,083</u>

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**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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>(Over)</u> <u>Under</u>
Other financing uses:				
Transfers to other funds:				
Special Revenue Funds	\$ 123,676	\$ 123,676	\$ 123,676	\$ -
Capital Projects	1,377,693	1,382,103	1,382,103	-
Total other financing uses	<u>1,501,369</u>	<u>1,505,779</u>	<u>1,505,779</u>	<u>-</u>
Total Budgetary Expenditures and Other Financing Uses	<u>\$ 30,782,211</u>	<u>\$ 30,786,621</u>	30,527,538	<u>\$ 259,083</u>
Budgetary expenditures are different than GAAP expenditures because:				
Encumbrances outstanding at June 30, 2018			(164,554)	
Liquidation of prior year encumbrances			169,890	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted - Pension			3,596,260	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted - OPEB			370,868	
Payroll accrual adjustment - payroll budgeted on a cash basis			(8,283)	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes			<u>217,221</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>\$ 34,708,940</u>	

TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS PENSION PLAN
LAST FIVE FISCAL YEARS*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability:					
Service cost	\$ 9,345	\$ 9,420	\$ 9,448	\$ 10,661	\$ 12,269
Interest	33,288	33,560	35,612	36,253	37,156
Differences between expected and actual experience		23,844	(2,002)		(2,308)
Changes of assumptions	2,288	3,144	(804)		
Benefit payments, including refunds of member contributions	(37,080)	(35,280)	(33,900)	(32,100)	(32,100)
Other		(25)	(513)		
Net change in total pension liability	<u>7,841</u>	<u>34,663</u>	<u>7,841</u>	<u>14,814</u>	<u>15,017</u>
Total pension liability - beginning	<u>614,185</u>	<u>622,026</u>	<u>656,689</u>	<u>664,530</u>	<u>679,344</u>
Total pension liability - ending	<u>622,026</u>	<u>656,689</u>	<u>664,530</u>	<u>679,344</u>	<u>694,361</u>
Plan fiduciary net position:					
Contributions - employer	79,182	64,601	59,739	52,990	59,739
Net investment income (loss)	51,486	16,978	(1,676)	60,800	56,633
Benefit payments, including refunds of member contributions	(37,080)	(35,280)	(33,900)	(32,100)	(32,100)
Administrative expense	(12,687)	(10,021)	(17,020)	(9,381)	(16,518)
Net change in plan fiduciary net position	<u>80,901</u>	<u>36,278</u>	<u>7,143</u>	<u>72,309</u>	<u>67,754</u>
Plan fiduciary net position - beginning	<u>375,998</u>	<u>456,899</u>	<u>493,177</u>	<u>500,320</u>	<u>572,629</u>
Plan fiduciary net position - ending	<u>456,899</u>	<u>493,177</u>	<u>500,320</u>	<u>572,629</u>	<u>640,383</u>
Net Pension Liability - Ending	<u>\$ 165,127</u>	<u>\$ 163,512</u>	<u>\$ 164,210</u>	<u>\$ 106,715</u>	<u>\$ 53,978</u>
Plan fiduciary net position as a percentage of the total pension liability	73.45%	75.10%	75.29%	84.29%	92.23%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 48,417	\$ 28,708	\$ 29,915	\$ 29,915	\$ 23,957	\$ 23,504	\$ 22,767
Contributions in relation to the actuarially determined contribution	<u>35,646</u>	<u>39,705</u>	<u>79,182</u>	<u>64,601</u>	<u>59,739</u>	<u>52,990</u>	<u>59,739</u>
Contribution Deficiency (Excess)	<u>\$ 12,771</u>	<u>\$ (10,997)</u>	<u>\$ (49,267)</u>	<u>\$ (34,686)</u>	<u>\$ (35,782)</u>	<u>\$ (29,486)</u>	<u>\$ (36,972)</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2018

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	2.4%
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 and Disabled Mortality Tables projected generationally using MP 2015 mortality improvements according to Scale AA

NOTE: The Pension Trust Fund was established in 2012.

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	14.10 %	1.29 %	2.51 %	9.59 %	7.90 %

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
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>	<u>25,916,149</u>	<u>32,800,687</u>	<u>31,090,473</u>
Total	<u>\$ 23,954,286</u>	<u>\$ 25,916,149</u>	<u>\$ 32,800,687</u>	<u>\$ 31,090,473</u>
Town's covered payroll	\$ 8,748,161	\$ 9,152,747	\$ 9,490,790	\$ 9,390,729
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	59.50%	52.26%	55.93%

Notes to Schedule

Changes in benefit terms
Changes of assumptions

None

During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely 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, 2015.

During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.

Actuarial cost method
Amortization method
Remaining amortization period
Asset valuation method
Investment rate of return

Entry age
Level percent of salary, closed
20.4 years
4-year smoothed market
8.50%, net of investment related expense

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	2015		2016		2017		2018
	(as Restated)						
Town's proportion of the net pension liability	0.24%		0.24%		0.12%		0.12%
Town's proportionate share of the net pension liability	\$ 230,476	\$	325,104	\$	392,573	\$	292,893
Town's covered payroll	\$ 512,160	\$	476,120	\$	491,605	\$	515,507
Plan fiduciary net position as a percentage of the total pension liability	90.48%		92.72%		88.29%		91.68%

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 ending June 30, 2012.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
POST-RETIREMENT MEDICAL PROGRAM
LAST FISCAL YEAR***

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 55,672
Interest	43,053
inputs	(33,075)
Benefit payments	(41,473)
Net change in total OPEB liability	<u>24,177</u>
Total OPEB liability - beginning	<u>1,174,225</u>
Total OPEB Liability - Ending	<u>\$ 1,198,402</u>
Covered-employee payroll	\$ 12,408,419
Total OPEB liability as a percentage of covered-employee payroll	9.66%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Notes to Schedule

The discount rate was changed to 3.87% as of June 30, 2018 from 3.56% as of July 1, 2017.

Measurement Date:	June 30, 2018
Valuation Date:	July 1, 2017
Inflation Rate:	3.00% per year
Actuarial Cost Method:	Entry Age Normal
Payroll Growth:	3.50% per year for general wage inflation

Healthcare cost trend rates	<u>FYE</u>	<u>Medical/Rx</u>
	2019	8.50%
	2020	8.00%
	2021	7.50%
	2022	7.00%
	2023	6.50%
	2024	6.00%
	2025	5.50%
	2026	5.00%

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

	<u>2018</u>
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>8,002,327</u>
Total	<u>\$ 8,002,327</u>
Town's covered payroll	\$ 9,390,729
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

Notes to Schedule

Changes in benefit terms
Changes of assumptions

None

The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate.

Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations.

As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment related expense including price inflation

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF EAST HADDAM, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 8,104,872	\$ 17,862,774
Due from other governments	168,206	22,353
Property taxes receivable (net of allowance for uncollected taxes \$28,976 and \$26,004, respectively)	287,197	415,219
Other accounts receivable	128,669	191,690
Due from other funds	<u>297,038</u>	<u>1,021,583</u>
Total Assets	<u>\$ 8,985,982</u>	<u>\$ 19,513,619</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 545,521	\$ 596,220
Due to other funds	3,052,901	13,882,807
Unearned revenues	<u>9,298</u>	<u>9,298</u>
Total liabilities	<u>3,607,720</u>	<u>14,488,325</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	259,175	423,980
Unavailable revenue - loans receivable	<u>13,000</u>	<u></u>
Total deferred inflows of resources	<u>272,175</u>	<u>423,980</u>
Fund balance:		
Assigned	164,554	173,885
Unassigned	<u>4,941,533</u>	<u>4,427,429</u>
Total fund balance	<u>5,106,087</u>	<u>4,601,314</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 8,985,982</u>	<u>\$ 19,513,619</u>

**TOWN OF EAST HADDAM, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

Grand List	Uncollected Taxes July 1, 2017	Current Year Levy	Assessor's Additions	Assessor's Deductions	Transfers to Suspende	Refunds	Adjusted Taxes Collectible	Collections			Uncollected Taxes July 1, 2018
								Taxes	Interest Liens and Other Fees	Total	
2016	\$	\$ 25,538,545	\$ 33,644	\$ (59,307)	\$ (31,675)	\$ 6,821	\$ 25,488,028	\$ 25,241,194	\$ 88,499	\$ 25,329,693	\$ 246,834
2015	350,384		1,513	(3,857)	(16,662)	1,954	333,332	273,189	63,457	336,646	60,143
2014	80,782			(1,634)	(6,820)	634	72,962	68,275	19,540	87,815	4,687
2013	9,442				(760)		8,682	4,173	1,730	5,903	4,509
2012	615				(77)		538	538	462	1,000	
	<u>\$ 441,223</u>	<u>\$ 25,538,545</u>	<u>\$ 35,157</u>	<u>\$ (64,798)</u>	<u>\$ (55,994)</u>	<u>\$ 9,409</u>	<u>\$ 25,903,542</u>	25,587,369	173,688	25,761,057	<u>\$ 316,173</u>

Suspense collections:

2016	862	128	990
2015	4,151	1,010	5,161
2014	1,905	802	2,707
2013	1,698	1,095	2,793
2012	427	430	857
2011	106	126	232
2010	78	95	173
2009	90	119	209
2008	90	132	222
2007	51	9	60
2004	185	403	588
2003	396	934	1,330
Total	<u>\$ 25,597,408</u>	<u>\$ 178,971</u>	<u>\$ 25,776,379</u>

**TOWN OF EAST HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds							
	WPCA Sewer	Senior Transportation	Miscellaneous Grants	Recreation Activity	Regional Animal Control	Senior Center Donation	Records Preservation	Educational Grants
ASSETS								
Cash and cash equivalents	\$ 41,373	\$ 14,557	\$	\$	\$	\$	\$	\$ 66,812
Investments								
Accounts receivable	19,510							84,951
Due from other funds	18,551			90,627	60,094	20,768	5,472	29,599
Inventory								
Total Assets	\$ 79,434	\$ 14,557	\$ -	\$ 90,627	\$ 60,094	\$ 20,768	\$ 5,472	\$ 181,362
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and other payables	\$ 24,000	\$	\$ 1,875	\$ 374	\$ 314	\$ 2	\$	\$ 8,751
Due to other funds		12,183						
Unearned revenue				31,919				172,611
Total liabilities	24,000	12,183	-	33,794	374	314	2	181,362
Fund Balances:								
Nonspendable								
Restricted	55,434	2,374		56,833		20,454		
Committed							5,470	
Assigned					59,720			
Unassigned								
Total fund balances	55,434	2,374	-	56,833	59,720	20,454	5,470	-
Total Liabilities and Fund Balances	\$ 79,434	\$ 14,557	\$ -	\$ 90,627	\$ 60,094	\$ 20,768	\$ 5,472	\$ 181,362

(Continued on next page)

**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018**

	Special Revenue Funds						
	<u>School Cafeteria</u>	<u>BOE Special Revenue Fund</u>	<u>Green Committee</u>	<u>Transfer Station</u>	<u>Forestry Management</u>	<u>Music on the River</u>	<u>Disc Golf</u>
ASSETS							
Cash and cash equivalents	\$ 10,516	\$	\$	\$ 5,806	\$	\$	\$
Investments							
Accounts receivable	21,476						
Due from other funds		90,789	580		6,908	18,062	899
Inventory	4,153						
Total Assets	<u>\$ 36,145</u>	<u>\$ 90,789</u>	<u>\$ 580</u>	<u>\$ 5,806</u>	<u>\$ 6,908</u>	<u>\$ 18,062</u>	<u>\$ 899</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$ 3,696	\$	\$	\$ 5,806	\$	\$ 540	\$
Due to other funds							
Unearned revenue	4,061						
Total liabilities	<u>7,757</u>	<u>-</u>	<u>-</u>	<u>5,806</u>	<u>-</u>	<u>540</u>	<u>-</u>
Fund Balances:							
Nonspendable	4,153						
Restricted			580		6,908		
Committed	24,235					17,522	899
Assigned		90,789					
Unassigned							
Total fund balances	<u>28,388</u>	<u>90,789</u>	<u>580</u>	<u>-</u>	<u>6,908</u>	<u>17,522</u>	<u>899</u>
Total Liabilities and Fund Balances	<u>\$ 36,145</u>	<u>\$ 90,789</u>	<u>\$ 580</u>	<u>\$ 5,806</u>	<u>\$ 6,908</u>	<u>\$ 18,062</u>	<u>\$ 899</u>

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**TOWN OF EAST HADDAM, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>Special Revenue</u>		<u>Capital Project Funds</u>		<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Agriculture Commission</u>	<u>Library Donations</u>	<u>Capital Grants</u>	<u>William Palmer</u>	<u>Cemetery</u>	<u>Trust Scholarship Fund</u>	
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$ 26,619	\$	\$	\$ 165,683
Investments				764,541	237,044	9,105	1,010,690
Accounts receivable							125,937
Due from other funds	4,692	3,529				6,431	357,001
Inventory							4,153
Total Assets	\$ 4,692	\$ 3,529	\$ -	\$ 791,160	\$ 237,044	\$ 15,536	\$ 1,663,464
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$	\$	\$ 1,000	\$	\$	\$	\$ 46,358
Due to other funds			3,624				15,807
Unearned revenue			5,384				213,975
Total liabilities	-	-	10,008	-	-	-	276,140
Fund Balances:							
Nonspendable					35,587	4,206	43,946
Restricted	4,692	3,529		791,160	201,457	11,330	1,154,751
Committed							48,126
Assigned							150,509
Unassigned			(10,008)				(10,008)
Total fund balances	4,692	3,529	(10,008)	791,160	237,044	15,536	1,387,324
Total Liabilities and Fund Balances	\$ 4,692	\$ 3,529	\$ -	\$ 791,160	\$ 237,044	\$ 15,536	\$ 1,663,464

**TOWN OF EAST HADDAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds							Educational Grants
	WPCA Sewer	Senior Transportation	Miscellaneous Grants	Recreation Activity	Regional Animal Control	Senior Center Donations	Records Preservation	
Revenues:								
Intergovernmental revenues	\$	\$ 55,200	\$ 18,639	\$	\$	\$	\$ 4,000	\$ 614,303
Charges for sales and services	171,687			82,686	45,745		2,967	
Income on investments	142	39						
Other				2,281				
Donations and gifts		2,705			207	16,600		
Total revenues	<u>171,829</u>	<u>57,944</u>	<u>18,639</u>	<u>84,967</u>	<u>45,952</u>	<u>16,600</u>	<u>6,967</u>	<u>614,303</u>
Expenditures:								
Current:								
General government							16,468	
Public safety					66,880			
Public works	175,225							
Health and welfare		80,002	18,639			3,032		
Recreation and leisure				80,661				
Education								614,303
Capital outlay						11,000		
Total expenditures	<u>175,225</u>	<u>80,002</u>	<u>18,639</u>	<u>80,661</u>	<u>66,880</u>	<u>14,032</u>	<u>16,468</u>	<u>614,303</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,396)</u>	<u>(22,058)</u>	<u>-</u>	<u>4,306</u>	<u>(20,928)</u>	<u>2,568</u>	<u>(9,501)</u>	<u>-</u>
Other Financing Sources (Uses):								
Transfers in					50,000		3,000	
Transfers out								
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Net Change in Fund Balances	(3,396)	(22,058)	-	4,306	29,072	2,568	(6,501)	-
Fund Balances at Beginning of Year	<u>58,830</u>	<u>24,432</u>	<u>-</u>	<u>52,527</u>	<u>30,648</u>	<u>17,886</u>	<u>11,971</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 55,434</u>	<u>\$ 2,374</u>	<u>\$ -</u>	<u>\$ 56,833</u>	<u>\$ 59,720</u>	<u>\$ 20,454</u>	<u>\$ 5,470</u>	<u>\$ -</u>

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**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, 2018**

	Special Revenue Funds						
	School Cafeteria	BOE Special Revenue Fund	Green Committee	Transfer Station	Forestry Management	Music on the River	Disc Golf
Revenues:							
Intergovernmental revenues	\$ 116,679	\$	\$	\$	\$	\$	\$
Charges for sales and services	184,566					27,161	899
Income on investments							
Other							
Donations and gifts							
Total revenues	<u>301,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,161</u>	<u>899</u>
Expenditures:							
Current:							
General government							
Public safety							
Public works							
Health and welfare							
Recreation and leisure						12,867	
Education	371,921						
Capital outlay							
Total expenditures	<u>371,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,867</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(70,676)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,294</u>	<u>899</u>
Other Financing Sources (Uses):							
Transfers in	70,676						
Transfers out							
Total other financing sources (uses)	<u>70,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-	14,294	899
Fund Balances at Beginning of Year	<u>28,388</u>	<u>90,789</u>	<u>580</u>	<u>-</u>	<u>6,908</u>	<u>3,228</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 28,388</u>	<u>\$ 90,789</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 6,908</u>	<u>\$ 17,522</u>	<u>\$ 899</u>

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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, 2018

	Special Revenue Funds		Capital Project Funds		Permanent Funds		Total Nonmajor Governmental Funds
	Agriculture Commission	Library Donation	Capital Grants	William Palmer	Cemetery	Trust Scholarship Fund	
Revenues:							
Intergovernmental revenues	\$	\$	\$ 12,025	\$	\$	\$	\$ 820,846
Charges for sales and services							515,711
Income on investments				48,586	10,636	54	59,457
Other	775		29,356				32,412
Donations and gifts		374				1,757	21,643
Total revenues	<u>775</u>	<u>374</u>	<u>41,381</u>	<u>48,586</u>	<u>10,636</u>	<u>1,811</u>	<u>1,450,069</u>
Expenditures:							
Current:							
General government							16,468
Public safety							66,880
Public works			29,356				204,581
Health and welfare				9,441	2,307		113,421
Recreation and leisure	432	771					94,731
Education						1,026	987,250
Capital outlay							11,000
Total expenditures	<u>432</u>	<u>771</u>	<u>29,356</u>	<u>9,441</u>	<u>2,307</u>	<u>1,026</u>	<u>1,494,331</u>
Excess (Deficiency) of Revenues over Expenditures	<u>343</u>	<u>(397)</u>	<u>12,025</u>	<u>39,145</u>	<u>8,329</u>	<u>785</u>	<u>(44,262)</u>
Other Financing Sources (Uses):							
Transfers in							123,676
Transfers out				(31,263)			(31,263)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,263)</u>	<u>-</u>	<u>-</u>	<u>92,413</u>
Net Change in Fund Balances	343	(397)	12,025	7,882	8,329	785	48,151
Fund Balances at Beginning of Year	<u>4,349</u>	<u>3,926</u>	<u>(22,033)</u>	<u>783,278</u>	<u>228,715</u>	<u>14,751</u>	<u>1,339,173</u>
Fund Balances at End of Year	<u>\$ 4,692</u>	<u>\$ 3,529</u>	<u>\$ (10,008)</u>	<u>\$ 791,160</u>	<u>\$ 237,044</u>	<u>\$ 15,536</u>	<u>\$ 1,387,324</u>

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>186,166</u>	\$ <u>296,305</u>	\$ <u>292,102</u>	\$ <u>190,369</u>
Liabilities:				
Due to student groups	\$ <u>186,166</u>	\$ <u>296,305</u>	\$ <u>292,102</u>	\$ <u>190,369</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ <u>51,941</u>	\$ <u>247</u>	\$ <u>-</u>	\$ <u>52,188</u>
Liabilities:				
Due to contractors and others	\$ <u>51,941</u>	\$ <u>247</u>	\$ <u>-</u>	\$ <u>52,188</u>
Driveway Bonds				
Assets:				
Cash and cash equivalents	\$ <u>96,248</u>	\$ <u>4,250</u>	\$ <u>2,250</u>	\$ <u>98,248</u>
Liabilities:				
Due to contractors and others	\$ <u>96,248</u>	\$ <u>4,250</u>	\$ <u>2,250</u>	\$ <u>98,248</u>
Total				
Assets:				
Cash and cash equivalents	\$ <u>334,355</u>	\$ <u>300,802</u>	\$ <u>294,352</u>	\$ <u>340,805</u>
Liabilities:				
Due to student groups, contractors and others	\$ <u>334,355</u>	\$ <u>300,802</u>	\$ <u>294,352</u>	\$ <u>340,805</u>

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF DEBT LIMITATION
JUNE 30, 2018
(in Thousands)

Total tax collections (including interest and lien fees) received by
Treasurer for year ended June 30, 2018

\$ 25,335

	<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	\$ 57,004	\$	\$	\$	\$
4-1/2 times base		114,008			
3-3/4 times base			95,006		
3-1/4 times base				82,339	
3 times base					76,005
Total debt limitation	<u>57,004</u>	<u>114,008</u>	<u>95,006</u>	<u>82,339</u>	<u>76,005</u>
Indebtedness:					
Bonds and notes payable	11,410	1,470			
Bond anticipation notes	16,900	2,300			
Bonds authorized - unissued	3,265	314			
Total indebtedness	<u>31,575</u>	<u>4,084</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 25,429</u>	<u>\$ 109,924</u>	<u>\$ 95,006</u>	<u>\$ 82,339</u>	<u>\$ 76,005</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$177,345).

**TOWN OF EAST HADDAM, CONNECTICUT
DEBT PAYMENT SCHEDULE
JUNE 30, 2018**

Fiscal Year	November 3, 2015 Refunding		August 11, 2010 Bonds		September 26, 2013 Open Space Loan		Gross Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 970,000	\$ 280,925	\$ 200,000	\$ 82,138	\$ 210,000	\$ 24,625	\$ 1,380,000	\$ 387,688
2020	975,000	242,125	200,000	76,888	195,000	19,563	1,370,000	338,576
2021	965,000	212,875	200,000	71,138	195,000	14,691	1,360,000	298,704
2022	950,000	193,575	200,000	65,138	195,000	9,813	1,345,000	268,526
2023	950,000	155,575	200,000	59,138	155,000	5,438	1,305,000	220,151
2024	890,000	117,575	200,000	53,038	140,000	1,750	1,230,000	172,363
2025	890,000	90,875	200,000	46,738			1,090,000	137,613
2026	875,000	68,625	200,000	40,238			1,075,000	108,863
2027	855,000	46,750	200,000	33,538			1,055,000	80,288
2028	845,000	23,238	200,000	26,638			1,045,000	49,876
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>\$ 9,165,000</u>	<u>\$ 1,432,138</u>	<u>\$ 2,625,000</u>	<u>\$ 590,575</u>	<u>\$ 1,090,000</u>	<u>\$ 75,880</u>	<u>\$ 12,880,000</u>	<u>\$ 2,098,593</u>