

**TOWN OF EAST HADDAM, CONNECTICUT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

# TOWN OF EAST HADDAM, CONNECTICUT

## TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9

### **Exhibit**

Basic Financial Statements:		
Government-Wide Financial Statements:		
I	Statement of Net Assets	10
II	Statement of Activities	11
Fund Financial Statements:		
Governmental Funds:		
III	Balance Sheet	12-13
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	14-15
Proprietary Funds:		
V	Statement of Net Assets	16
VI	Statement of Revenues, Expenses and Changes in Fund Net Assets	17
VII	Statement of Cash Flows	18
Fiduciary Funds:		
VIII	Statement of Fiduciary Net Assets	19
IX	Statement of Changes in Plan Net Assets - Pension Trust Funds	20
	Notes to Financial Statements	21-44
Required Supplementary Information:		
General Fund:		
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual	45-46
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	47-49
Combining and Individual Fund Statements and Schedules:		
General Fund:		
A-1	Comparative Balance Sheet	50
A-2	Report of Tax Collector	51
Nonmajor Governmental Funds		
B-1	Combining Balance Sheet	52-54
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55-57
Agency Funds:		
C	Statement of Changes in Assets and Liabilities	58

### **Schedule**

Supplemental Schedules:		
1	Statement of Debt Limitation	59
2	Bond Payment Schedule	60



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## Independent Auditors' Report

To the Board of Finance  
Town of East Haddam, Connecticut

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, 2012, which collectively comprise the Town of East Haddam, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of East Haddam, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Haddam, Connecticut's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haddam, Connecticut, as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the Town of East Haddam, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on pages 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Haddam, Connecticut's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have 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.

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

October 12, 2012

**TOWN OF EAST HADDAM, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

This discussion and analysis of the Town of East Haddam, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

**FINANCIAL HIGHLIGHTS**

- The Town's change in net assets for governmental activities increased by \$957 thousand or 1.5%.
- During the year, the Town had expenses that were \$957 thousand less than the \$31 million generated in tax and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$30 million.
- At the end of the fiscal year the total General Fund balance was \$5.8 million, or 19.8% of General Fund expenditures and transfers out.
- The resources available for appropriation were \$1.9 million less than budgeted for the General Fund. This is largely attributed to a federally funded bridge project for which construction has not begun.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets 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 assets 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 assets and changes in them. The Town's net assets, 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 assets 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 assets 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 assets 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 assets 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 assets and changes in fiduciary net assets. 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 assets from a year ago increased from \$66,173,248 to \$67,130,202. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**TABLE 1  
NET ASSETS**

	<b>Governmental Activities</b>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 18,398,989	\$ 19,639,421
Capital assets	71,483,449	70,079,299
Total assets	<u>89,882,438</u>	<u>89,718,720</u>
Long-term debt outstanding	19,797,274	20,996,327
Other liabilities	2,954,962	2,549,145
Total liabilities	<u>22,752,236</u>	<u>23,545,472</u>
Net assets:		
Invested in capital assets, net of debt	51,404,744	49,599,651
Restricted	440,287	442,038
Unrestricted	<u>15,285,171</u>	<u>16,131,559</u>
Total Net Assets	<u>\$ 67,130,202</u>	<u>\$ 66,173,248</u>

Net assets of the Town's governmental activities increased by 1.5%. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$16,131,559 at June 30, 2011 to \$15,285,171 at the end of this year.

**TABLE 2  
CHANGE IN NET ASSETS**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,042,470	\$ 1,083,242
Operating grants and contributions	7,352,205	6,939,844
Capital grants and contributions	829,113	715,499
General revenues:		
Property taxes	20,853,520	20,460,794
Grants and contributions not restricted to specific purposes	355,326	200,733
Unrestricted investment earnings	4,690	1,240,621
Other general revenues	112,078	57,248
Total revenues	30,549,402	30,697,981
Program expenses:		
General government	2,329,396	2,215,501
Public safety	1,000,380	899,525
Public works	2,375,922	2,702,930
Health and welfare	366,356	351,538
Recreation and leisure	388,905	395,691
Education	22,264,244	21,738,608
Interest on long-term debt	867,245	738,810
Total program expenses	29,592,448	29,042,603
Increase in Net Assets	\$ 956,954	\$ 1,655,378

The Town's total revenues were \$30,549,402. The total cost of all programs and services was \$29,592,448. Our analysis below considers the operations of governmental activities.

***Governmental Activities***

Approximately 68.2% of the Town's revenues were derived from property taxes, followed by 24.1% from operating grants and contributions, then 3.4% from charges for services. The mill rate for fiscal year 2012 was 21.10. The mill rate for fiscal year 2011 was 20.87.

For Governmental Activities, 75.2% of the Town's expenditures relate to education, 8.0% relate to public works and 7.9% to general government.

The Town has provided for carryforward appropriations in the amount of \$1,096,211.

## *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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General government	\$ 2,329,396	\$ 2,215,501	\$ 1,860,971	\$ 1,781,669
Public safety	1,000,380	899,525	949,501	881,678
Public works	2,375,922	2,702,930	1,369,272	1,778,918
Health and welfare	366,356	351,538	321,303	292,047
Recreation and leisure	388,905	395,691	286,789	229,925
Education	22,264,244	21,738,608	14,725,746	14,626,690
Other	867,245	738,810	855,078	713,091
Totals	<u>\$ 29,592,448</u>	<u>\$ 29,042,603</u>	<u>\$ 20,368,660</u>	<u>\$ 20,304,018</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 \$15,047,644, which is a decrease from last year's total of \$16,541,792. The decrease in combined fund balance is largely attributed to the utilization of reserve for capital project funds for the 2012 property revaluation and for capital projects.

### *General Fund Budgetary Highlights*

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

The Town has established a reserve for future Education capital projects. For the fiscal year ended June 30, 2012, there was a \$100 thousand budgeted transfer as well as a \$76 thousand transfer; which represented the Board of Education fiscal year ended June 30, 2011 surplus, net of encumbrances.

The resources available for appropriation were \$1.9 million less than budgeted for the General Fund. This is largely a result of a federally funded bridge project for which work has not begun; there is a corresponding positive year end expense variance for the project.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At June 30, 2012, the Town had \$71.5 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and roads (see Table 4). The increase (including additions and deductions) of \$1.4 million over last year is primarily due to open space acquisitions.

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

	<b>Governmental</b>	
	<b>Activities</b>	
	<u><b>2012</b></u>	<u><b>2011</b></u>
Land	\$ 6,895	\$ 5,509
Building and improvements	49,852	49,915
Furniture and equipment	2,600	2,625
Infrastructure	11,689	11,514
Construction in progress	<u>447</u>	<u>516</u>
Totals	<u>\$ 71,483</u>	<u>\$ 70,079</u>

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

### *Long-Term Debt*

**TABLE 5**  
**OUTSTANDING DEBT, AT YEAR END**

	<b>Governmental</b>	
	<b>Activities</b>	
	<u><b>2012</b></u>	<u><b>2011</b></u>
General obligation bonds	\$ 18,220,000	\$ 19,355,000
Notes payable	<u>328,705</u>	<u>410,883</u>
Total	<u>\$ 18,548,705</u>	<u>\$ 19,765,883</u>

At June 30, 2012, the Town had \$18,548,705 in bonds and notes outstanding versus \$19,765,883 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 \$140.0 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 2012-2013 General Fund budget.

Revenues: The Town anticipated lower revenues from state, federal and local sources. The budget includes a reliance on the general fund of \$620 thousand to reduce the tax increase to our citizens. The budget provides for an increase in budgeted property taxes of \$545 thousand for a mill rate increase of .42. The mill rate for fiscal year 2012-2013 is 21.52.

Expenses: The expenditure budget for 2012-2013 is \$27,910,705 or a decrease of \$1 million. The decrease is largely attributed to a capital bridge improvement which was budgeted for 2012.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 10,193,425
Investments	6,523,372
Receivables, net	1,596,086
Inventory	86,106
Capital assets not being depreciated	7,342,225
Capital assets being depreciated, net	64,141,224
Total assets	<u>89,882,438</u>
Liabilities:	
Accounts and other payables	1,215,633
Unearned revenue	126,086
Bond anticipation notes	1,530,000
Deferred credits	83,243
Noncurrent liabilities:	
Due within one year	1,728,716
Due in more than one year	18,068,558
Total liabilities	<u>22,752,236</u>
Net Assets:	
Invested in capital assets, net of related debt	51,404,744
Restricted for trust purposes	440,287
Unrestricted	15,285,171
Total Net Assets	<u>\$ 67,130,202</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, 2012

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	\$ 2,329,396	\$ 458,925	\$ 9,500	\$	\$ (1,860,971)
Public safety	1,000,380	10,329	4,100	36,450	(949,501)
Public works	2,375,922	213,987		792,663	(1,369,272)
Health and welfare	366,356	200	44,853		(321,303)
Recreation and leisure	388,905	91,177	10,939		(286,789)
Education	22,264,244	267,852	7,270,646		(14,725,746)
Interest on long-term debt	867,245		12,167		(855,078)
Total	<u>\$ 29,592,448</u>	<u>\$ 1,042,470</u>	<u>\$ 7,352,205</u>	<u>\$ 829,113</u>	<u>(20,368,660)</u>
General revenues:					
Property taxes					20,853,520
Grants and contributions not restricted to specific programs					355,326
Unrestricted net investment income					4,690
Other					112,078
Total general revenues					<u>21,325,614</u>
Change in net assets					956,954
Net Assets at Beginning of Year					<u>66,173,248</u>
Net Assets at End of Year					<u>\$ 67,130,202</u>

The accompanying notes are an integral part of the financial statements

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

**JUNE 30, 2012**

	<b>General</b>	<b>Reserve for Capital Projects</b>	<b>Middle School</b>	<b>A.E. Purple Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,306,316	\$ 5,550,061	\$ 25,579	\$ 60,069	\$ 210,127	\$ 10,152,152
Investments				5,640,356	883,016	6,523,372
Receivables, net	1,038,678	508,900			48,508	1,596,086
Due from other funds	2,123,381				193,941	2,317,322
Prepaid asset	85,612				494	86,106
	<u>\$ 7,553,987</u>	<u>\$ 6,058,961</u>	<u>\$ 25,579</u>	<u>\$ 5,700,425</u>	<u>\$ 1,336,086</u>	<u>\$ 20,675,038</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 947,258	\$ 100	\$	\$	\$ 137,815	\$ 1,085,173
Due to other funds	193,941	1,685,029	139,763		298,589	2,317,322
Deferred revenue	579,346				115,553	694,899
Bond anticipation notes payable		895,000	635,000			1,530,000
Total liabilities	<u>1,720,545</u>	<u>2,580,129</u>	<u>774,763</u>	<u>-</u>	<u>551,957</u>	<u>5,627,394</u>
Fund balances:						
Nonspendable	85,612			400,000	40,287	525,899
Restricted				5,300,425	915,667	6,216,092
Committed	19,629	3,458,282			79,018	3,556,929
Assigned	1,716,211	20,550			6,000	1,742,761
Unassigned	4,011,990		(749,184)		(256,843)	3,005,963
Total fund balances	<u>5,833,442</u>	<u>3,478,832</u>	<u>(749,184)</u>	<u>5,700,425</u>	<u>784,129</u>	<u>15,047,644</u>
Total Liabilities and Fund Balances	<u>\$ 7,553,987</u>	<u>\$ 6,058,961</u>	<u>\$ 25,579</u>	<u>\$ 5,700,425</u>	<u>\$ 1,336,086</u>	<u>\$ 20,675,038</u>

(Continued on next page)

## TOWN OF EAST HADDAM, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

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

Fund balances - total governmental funds (Exhibit III)	\$ 15,047,644
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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	\$ 92,634,181	
Less accumulated depreciation	<u>(21,150,732)</u>	
Net capital assets		71,483,449

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

Property tax receivables greater than 60 days	346,800
Interest receivable on property taxes	102,412
Loan receivables	13,000
Receivable from the state for school construction projects	106,601

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 assets.

	30,587
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(18,548,705)
Interest payable on bonds and notes	(119,774)
Compensated absences	(1,036,244)
Net pension obligation	(12,771)
Bond premium	(83,243)
Termination benefits	(129,597)
Net OPEB obligation	<u>(69,957)</u>

Net Assets of Governmental Activities (Exhibit I)	<u>\$ 67,130,202</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, 2012

	<u>General</u>	<u>Reserve for Capital Projects</u>	<u>Middle School</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 20,738,239	\$	\$	\$	\$	\$ 20,738,239
Intergovernmental	7,001,530	508,900			793,293	8,303,723
Charges for services	549,658				502,484	1,052,142
Income (loss) on investments	56,102	39,881	75	(94,192)	2,808	4,674
Miscellaneous	228,149		7,706		332,379	568,234
Total revenues	<u>28,573,678</u>	<u>548,781</u>	<u>7,781</u>	<u>(94,192)</u>	<u>1,630,964</u>	<u>30,667,012</u>
Expenditures:						
Current:						
General government	2,157,894				4,077	2,161,971
Public safety	893,913					893,913
Public works	1,603,661				147,751	1,751,412
Health and welfare	328,964				27,340	356,304
Recreation and leisure	278,112				97,737	375,849
Education	20,323,325			46,394	1,343,345	21,713,064
Debt service	2,009,501		32,186			2,041,687
Capital outlay	1,414,252	1,386,176			66,532	2,866,960
Total expenditures	<u>29,009,622</u>	<u>1,386,176</u>	<u>32,186</u>	<u>46,394</u>	<u>1,686,782</u>	<u>32,161,160</u>
Deficiency of Revenues over Expenditures	<u>(435,944)</u>	<u>(837,395)</u>	<u>(24,405)</u>	<u>(140,586)</u>	<u>(55,818)</u>	<u>(1,494,148)</u>
Other Financing Sources (Uses):						
Transfers in	799,596	246,393	87,177		77,500	1,210,666
Transfers out	(411,070)	(495,132)		(260,291)	(44,173)	(1,210,666)
Total other financing sources (uses)	<u>388,526</u>	<u>(248,739)</u>	<u>87,177</u>	<u>(260,291)</u>	<u>33,327</u>	<u>-</u>
Net Change in Fund Balances	(47,418)	(1,086,134)	62,772	(400,877)	(22,491)	(1,494,148)
Fund Balances at Beginning of Year	<u>5,880,860</u>	<u>4,564,966</u>	<u>(811,956)</u>	<u>6,101,302</u>	<u>806,620</u>	<u>16,541,792</u>
Fund Balances at End of Year	<u>\$ 5,833,442</u>	<u>\$ 3,478,832</u>	<u>\$ (749,184)</u>	<u>\$ 5,700,425</u>	<u>\$ 784,129</u>	<u>\$ 15,047,644</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, 2012

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) \$ (1,494,148)

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

Capital outlay	2,720,222
Depreciation expense	(1,299,140)

In the statement of activities, only the gain on the sale of capital assets is reported. However,  
in the governmental funds, the proceeds from the sale increase financial resources.

Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (16,932)

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

School building grant receipts	(224,937)
Property tax receivable - accrual basis change	85,237
Property tax interest and lien revenue - accrual basis change	30,044

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 assets. 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	1,217,178
Bond premiums amortized	5,438

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	31,129
Accrued interest	(41,939)
Amortization of deferred charge on refunding	(6,235)
Termination payments	(21,260)
Net pension obligation	(12,771)
Net OPEB expense	(8,988)

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.

(5,944)

Change in Net Assets of Governmental Activities (Exhibit II) \$ 956,954

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**JUNE 30, 2012**

	<u><b>Governmental Activities</b></u> <u><b>Internal Service Funds</b></u>
Assets:	
Cash and cash equivalents	\$ 41,273
Liabilities:	
Accounts and other payables	<u>10,686</u>
Net Assets:	
Unrestricted	\$ <u><u>30,587</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 ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
Operating Revenues:	
Employer contribution	\$ 16,066
Employee contribution	47,866
Total operating revenues	<u>63,932</u>
Operating Expenses:	
Administrative expense	5,526
Employee benefits	64,366
Total operating expenses	<u>69,892</u>
Operating Loss	(5,960)
Nonoperating Revenue:	
Income on investments	<u>16</u>
Change in Net Assets	(5,944)
Net Assets at Beginning of Year	<u>36,531</u>
Net Assets at End of Year	<u>\$ 30,587</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, 2012**

	<u><b>Governmental Activities Internal Service Funds</b></u>
Cash Flows from Operating Activities:	
Cash received from employees and employer	\$ 63,932
Cash payments to providers of benefits and administration	<u>(70,140)</u>
Net cash used in operating activities	<u>(6,208)</u>
Cash Flows from Investing Activities:	
Income on investments	<u>16</u>
Net Decrease in Cash and Cash Equivalents	(6,192)
Cash and Cash Equivalents at Beginning of Year	<u>47,465</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 41,273</u></u>
Reconciliation of Operating Loss to Net	
Cash Used in Operating Activities:	
Operating loss	\$ (5,960)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>(248)</u>
Net Cash Used in Operating Activities	<u><u>\$ (6,208)</u></u>

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2012

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and cash equivalents	\$ 339,078	\$ 327,809
Investments	2,109,307	
Receivables	40,011	
	<u>          </u>	<u>          </u>
Total assets	2,488,396	\$ <u><u>327,809</u></u>
Liabilities:		
Accounts and other payables		\$ <u><u>327,809</u></u>
Net Assets:		
Held in Trust for Pension Benefits	\$ <u><u>2,488,396</u></u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 144,518
Plan members	526,495
Total contributions	<u>671,013</u>
Investment income:	
Net increase in fair value of investments	9,596
Interest and dividends	<u>75,901</u>
Total additions	756,510
Deductions:	
Benefits	<u>128,690</u>
Net Increase	627,820
Net Assets at Beginning of Year	<u>1,860,576</u>
Net Assets at End of Year	<u>\$ 2,488,396</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of East Haddam (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 assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

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.

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

The Middle School Fund is used to account for the construction of a middle school. The major sources of revenue for this fund are intergovernmental receipts and bond proceeds.

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

Additionally, the Town reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow subsequent private-sector guidance.

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.

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

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

#### **D. Deposits and Investments**

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

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

Investments for the Town are reported at fair value.

#### **E. Receivables and Payables**

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

Property taxes are assessed as of October 1 and billed the following July. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are filed on delinquent taxes by June 30 each year. Interest is charged on delinquent taxes at the rate of 1.5% per month (18% per year). An amount of \$19,022 has been established as an allowance for uncollectible taxes. At June 30, 2012, this represents 4.78% 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.

#### **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. 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, 2012 is reflected in the government-wide statement of net assets.

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

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

#### **J. Equity**

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

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Net assets are 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 Net Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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** - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes 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.

#### **K. 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, 2012 totaled \$129,597. Payment will be paid over two fiscal years.

#### **L. Compensated Absences**

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 \$1,036,244. The General Fund generally funds the cost associated with compensated absences.

#### **M. Reclassifications**

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

#### **N. Budget Overruns**

The Public Safety budget was overexpended by \$36,492 due to various storms that occurred 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 Finance reviews all general government Selectmen 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 \$1,519,220 in supplemental appropriations during the year, and carryover appropriations to fiscal year 2013 are \$1,096,211.

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

1. 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.
2. The budget for payroll expenditures is prepared on a cash basis. Accrued payroll has been recorded as expenditures (Exhibit IV) in accordance with GAAP.
3. The Town does not budget for revenue or expenditures for pension contributions made by the State of Connecticut for East Haddam teachers. The amount of this contribution was \$1,802,300.
4. The Maintenance Fund is combined for financial reporting purposes and is not budgeted within the General Fund.

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

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

#### Deposits

*Deposit Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. 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*, \$10,797,149 of the Town’s bank balance of \$11,720,400 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 9,707,315
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,089,834</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 10,797,149</u>

## Cash Equivalents

At June 30, 2012, the Town's cash equivalents amounted to \$56,047. 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 &amp; Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

## Investments

As of June 30, 2012, 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	*	\$ 103,705	\$ 103,705	\$	\$
Corporate bonds	AA1	3,042	3,042		
Corporate bonds	A	17,327	3,093	14,234	
Corporate bonds	A-	24,860		24,860	
Corporate bonds	BAA1	9,012		9,012	
Corporate bonds	BBB	12,559		12,559	
U.S. Government obligations	N/A	<u>616,416</u>	<u>86,616</u>	<u>525,650</u>	<u>4,150</u>
Total		786,921	<u>\$ 196,456</u>	<u>\$ 586,315</u>	<u>\$ 4,150</u>
Other investments:					
Common stock	N/A	2,348,112			
Pension investments held by insurance company	N/A	2,109,307			
Mutual funds	N/A	<u>3,388,339</u>			
Total		<u>\$ 8,632,679</u>			

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

N/A - Not applicable

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

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

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

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2012, the Town had \$2,348,112 uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

#### 4. RECEIVABLES

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

	<u>General</u>	<u>Reserve for Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 102,412	\$	\$	\$ 102,412
Taxes	398,273			398,273
Accounts	128,478		49,567	178,045
Intergovernmental	428,537	508,900	38,952	976,389
Gross receivables	<u>1,057,700</u>	<u>508,900</u>	<u>88,519</u>	<u>1,655,119</u>
Less allowance for uncollectibles	<u>(19,022)</u>			<u>(19,022)</u>
Net Total Receivables	<u>\$ 1,038,678</u>	<u>\$ 508,900</u>	<u>\$ 88,519</u>	<u>\$ 1,636,097</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable	\$ 346,800	\$	\$ 346,800
Accrued interest on delinquent property tax	102,412		102,412
Other revenue unearned		26,415	26,415
Grant drawdowns prior to meeting all eligibility requirements		99,671	99,671
School building grants	106,601		106,601
Loans receivable	<u>13,000</u>		<u>13,000</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 568,813</u>	<u>\$ 126,086</u>	<u>\$ 694,899</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 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	\$ 5,508,679	\$ 1,386,351	\$	\$ 6,895,030
Construction in progress	516,074	132,956	(201,835)	447,195
Total capital assets not being depreciated	<u>6,024,753</u>	<u>1,519,307</u>	<u>(201,835)</u>	<u>7,342,225</u>
Capital assets being depreciated:				
Buildings and improvements	61,712,348	577,374		62,289,722
Furniture and equipment	6,181,511	330,742	(205,610)	6,306,643
Infrastructure	16,200,957	494,634		16,695,591
Total capital assets being depreciated	<u>84,094,816</u>	<u>1,402,750</u>	<u>(205,610)</u>	<u>85,291,956</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,796,722)	(640,906)		(12,437,628)
Furniture and equipment	(3,556,520)	(339,091)	188,678	(3,706,933)
Infrastructure	(4,687,028)	(319,143)		(5,006,171)
Total accumulated depreciation	<u>(20,040,270)</u>	<u>(1,299,140)</u>	<u>188,678</u>	<u>(21,150,732)</u>
Total capital assets being depreciated, net	<u>64,054,546</u>	<u>103,610</u>	<u>(16,932)</u>	<u>64,141,224</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,079,299</u>	<u>\$ 1,622,917</u>	<u>\$ (218,767)</u>	<u>\$ 71,483,449</u>

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

Governmental activities:	
General government	\$ 69,075
Public safety	109,125
Public works	539,106
Health and welfare	28,799
Recreation and leisure	7,969
Education	<u>545,066</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,299,140</u>

There are no construction commitments at June 30, 2012.

**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, 2012 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 193,941
General Fund	Middle School	139,763
General Fund	Reserve for Capital Projects	1,685,029
General Fund	Nonmajor governmental funds	<u>298,589</u>
		<u>\$ 2,317,322</u>

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

Interfund transfers:

	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Middle School</u>	<u>Nonmajor Governmental</u>	
Transfers out:					
General Fund	\$	\$ 246,393	\$ 87,177	\$ 77,500	\$ 411,070
Reserve for Capital Projects	495,132				495,132
A.E. Purple Fund	260,291				260,291
Nonmajor governmental funds	<u>44,173</u>				<u>44,173</u>
Total	<u>\$ 799,596</u>	<u>\$ 246,393</u>	<u>\$ 87,177</u>	<u>\$ 77,500</u>	<u>\$ 1,210,666</u>

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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 19,355,000	\$	\$ 1,135,000	\$ 18,220,000	\$ 1,195,000
Clean Water notes	410,883		82,178	328,705	82,177
Less deferred amounts:					
Refunding bonds	<u>(6,235)</u>		<u>(6,235)</u>	<u>-</u>	
Total bonds payable	19,759,648	-	1,210,943	18,548,705	1,277,177
OPEB liability	60,969	8,988		69,957	
Net pension obligation		12,771		12,771	
Compensated absences	1,067,373	7,180	38,309	1,036,244	348,428
Termination benefits	<u>108,337</u>	<u>82,973</u>	<u>61,713</u>	<u>129,597</u>	<u>103,111</u>
Governmental Activity Long-Term Liabilities	<u>\$ 20,996,327</u>	<u>\$ 111,912</u>	<u>\$ 1,310,965</u>	<u>\$ 19,797,274</u>	<u>\$ 1,728,716</u>

A schedule of bonds and notes outstanding at June 30, 2012 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, 2012</u>
Bonds and notes:					
General obligation	2010	2031	2.0-3.75	\$ 1,688,705	\$ 1,688,705
School	2010	2031	2.0-3.75	2,136,298	2,136,295
School	2008	2028	3.5-4.7	16,150,000	13,726,800
Open space	2008	2028	3.5-4.7	500,000	423,200
School	2003	2013	2.0-3.6	2,760,000	245,000
Sewer	1997	2016	3.9-4.6	1,561,364	<u>328,705</u>
Total Outstanding					<u>\$ 18,548,705</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,277,177	\$ 693,090
2014	1,057,177	654,252
2015	1,182,177	611,796
2016	1,182,174	576,903
2017	1,110,000	541,294
2018-2022	5,615,000	2,066,145
2023-2027	5,425,000	982,876
2028-2031	1,700,000	100,864
	<u>\$ 18,548,705</u>	<u>\$ 6,227,220</u>

A summary of bonds authorized unissued is presented below:

<u>Project</u>	<u>Authorization</u>	<u>Bonds Issued</u>	<u>BANs Issued</u>	<u>Authorized Unissued</u>
Open Space	\$ 5,000,000	\$ 2,188,705	\$ 660,000	\$ 2,151,295
Clean Water Fund	1,577,048	1,561,364		15,684
Middle School Project	34,118,000	18,286,295	635,000	15,196,705*
Municipal Property	235,000		235,000	
Total	<u>\$ 40,930,048</u>	<u>\$ 22,036,364</u>	<u>\$ 1,530,000</u>	<u>\$ 17,363,684</u>

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

### **Bond Anticipation Notes**

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2012:

### **Capital Project Funds**

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
General	08-11-10	08-10-11	1.50%	\$ 720,000	\$	\$ 720,000	\$
Middle School	05-09-12	02-07-13	.35%		635,000		635,000
Open Space	05-09-12	02-07-13	.35%		660,000		660,000
Municipal Property	05-09-12	02-07-13	.35%		235,000		235,000
Total				<u>\$ 720,000</u>	<u>\$ 1,530,000</u>	<u>\$ 720,000</u>	<u>\$ 1,530,000</u>

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</u>		<u>Balance</u>
	<u>Limitation*</u>	<u>Indebtedness**</u>	
General purpose	\$ 46,672	\$ 4,263	\$ 42,409
Schools	93,344	16,402	76,942
Sewers	77,786	345	77,441
Urban renewal	67,415		67,415
Pension deficit	62,229		62,229

\* In no case shall total indebtedness exceed seven times annual receipts from taxation (\$145,201).

\*\* Indebtedness includes bonds authorized unissued of \$16 related to the Clean Water Fund, \$2,151 related to open space, and \$401 related to schools.

Accrued sick and vacation pay for general government operations is \$249,051, and the amount for the Board of Education is \$787,193. This is a decrease of \$31,129 from the previous year. The Board of Education has liabilities of \$129,597 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.

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 2012, expenses of \$69,892 were incurred for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,686 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>
2010-2011	\$ 11,222	\$ 65,315	\$ 65,603	\$ 10,934
2011-2012	10,934	64,366	64,614	10,686

## 9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### A. Firefighters Incentive Plan

#### Plan Description

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

As of January 1, 2011, the plans membership consisted of :

Retiree and beneficiaries currently receiving benefits	9
Current active members	<u>28</u>
Total	<u><u>37</u></u>

#### Summary of Significant Accounting Policies

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

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

Investments are valued at fair value, based upon quoted market prices. Securities traded on national exchanges are valued at the last reported sales price.

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

#### Funding Policy

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

## Annual Pension Cost and Net Pension Obligations

Annual required contribution	\$ 48,417
Interest on net pension obligation	
Adjustment to annual required contribution	<u>                    </u>
Annual pension cost	48,417
Contributions made	<u>(35,646)</u>
Increase in net pension obligation	12,771
Net pension obligation at beginning of year	<u>                    </u>
Net Pension Obligation at End of Year	<u><u>\$ 12,771</u></u>

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

Valuation Date	1/1/2011
Actuarial Cost Method	Entry Age Level Dollar Method
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	20 Years
Asset valuation method	Market Value
Actuarial Assumptions:	
Investment rate of return	4%

## Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2012	\$ 48,417	\$ 35,646	73.6 %	\$ 12,771

## Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage of Covered Payroll (b-a)/c</u>
1/1/2011	\$ 366,682	\$ 794,532	\$ 427,850	46.1 %	\$ NA	NA %

## Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2012	\$ 48,417	73.6 %

## 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 State of Connecticut Municipal Employees Retirement Fund. Contributions to the plan are made both by the Board of Education and Town (2-3% 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 79 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 \$153,430 and employer contributions were \$108,872 to the plan. These amounts represent 5.65% and 3.83%, respectively, of covered payroll of \$2,896,429. Total Town and Board of Education payroll amounted to \$13,424,036.

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 Assets

	<b>Pension Trust Funds</b>		
	<b>Employee Savings Plan</b>	<b>Firefighters Incentive Plan</b>	<b>Total Trust Funds</b>
Assets:			
Cash and cash equivalents	\$ 4,448	\$ 334,630	\$ 339,078
Investments	2,109,307		2,109,307
Receivables		40,011	40,011
Total assets	<u>2,113,755</u>	<u>374,641</u>	<u>2,488,396</u>
Net Assets:			
Held in Trust for Pension Benefits	<u>\$ 2,113,755</u>	<u>\$ 374,641</u>	<u>\$ 2,488,396</u>

## Statement of Changes in Plan Assets

	<b>Pension Trust Funds</b>		
	<b>Employee Savings Plan</b>	<b>Firefighters Incentive Plan</b>	<b>Total Trust Funds</b>
Additions:			
Contributions:			
Employer	\$ 108,872	\$ 35,646	\$ 144,518
Plan members	153,430	373,065	526,495
Total contributions	<u>262,302</u>	<u>408,711</u>	<u>671,013</u>
Investment income:			
Net increase in fair value of investments	9,596		9,596
Interest and dividends	<u>75,901</u>		<u>75,901</u>
Net investment loss	<u>85,497</u>	<u>-</u>	<u>85,497</u>
Total additions	347,799	408,711	756,510
Deductions:			
Benefits	<u>94,620</u>	<u>34,070</u>	<u>128,690</u>
Net Increase	253,179	374,641	627,820
Net Assets at Beginning of Year	<u>1,860,576</u>	<u>-</u>	<u>1,860,576</u>
Net Assets at End of Year	<u>\$ 2,113,755</u>	<u>\$ 374,641</u>	<u>\$ 2,488,396</u>

### D. Length of Service Award Plan

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

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

Active members in the plan will receive benefits of \$500 for each of the volunteer's first five years of service on July 1st of the plan year that immediately follows the plan year for which the eligible volunteer met the five-year requirement. Participants will receive \$500 for each additional year, not to exceed \$20,000. No volunteers have met this eligibility requirement by the end of the fiscal year, and no employer contributions have been made under this plan as of June 30, 2012.

## **E. State of Connecticut Municipal Employees' Retirement Fund**

Currently nine (9) Town of East Haddam employees in the General Teamsters Union participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

*Funding Policy* - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2012, 2011 and 2010 were \$57,094, \$47,982 and \$45,734, respectively, equal to the required contributions for each year.

## **F. Connecticut State Teachers' Retirement Board**

Town of East Haddam certified teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$8,775,856 or 74.1% of the total Board of Education payroll of \$11,843,454.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2012, the Town has recorded, in the General Fund, intergovernmental revenue and educational expenditures in the amount of \$1,802,300 as payments made by the State of Connecticut on behalf of the Town.

## **10. OTHER POSTEMPLOYMENT BENEFITS**

### **A. Plan Description**

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

At July 1, 2010, plan membership consisted of the following:

	<b>Post- Retirement Medical Program</b>
Active participants	186
Inactive participants	25
Total Participants	<u>211</u>

## **B. Funding Policy**

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

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

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

### C. Annual OPEB Cost and Net OPEB Obligations

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

	<b>Post-Retirement Medical Program</b>
Annual required contribution (ARC)	\$ 68,211
Interest on net OPEB obligation	2,744
Adjustment to annual required contribution	<u>(2,599)</u>
Annual OPEB cost	68,356
Contributions made	<u>(59,368)</u>
Increase in net OPEB obligation	8,988
Net OPEB obligation at beginning of year	<u>60,969</u>
Net OPEB Obligation at End of Year	<u><u>\$ 69,957</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the following two fiscal years are presented below. Data is only presented for the last three fiscal years due to the date of implementation.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 68,356	\$ 59,368	86.9%	\$ 69,957
6/30/11	66,146	54,466	82.3	60,969
6/30/10	74,888	50,950	68.0	49,289

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

#### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>OAAL as a Percentage of Covered Payroll (b-a)/c</u>
7/11/2011	\$	\$ 780,967	\$ 780,967	0 %	\$ 12,186,633	6.4 %
7/1/2010		768,788	768,788	0	11,831,683	6.5
7/1/2009		877,042	877,042	0	10,822,484	8.1

### Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
6/30/2012	\$ 59,368	\$ 68,211	87.0 %
6/30/2011	54,466	66,029	82.5
6/30/2010	50,950	74,828	68.1

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

In the latest actuarial valuation, July 1, 2010, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using an open group. The UAAL is being amortized on a level percentage of pay over 30 years.

## 11. FUND BALANCES

### A. Components

	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Middle School</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 494	\$ 494
Endowment				400,000	39,793	439,793
Prepaid assets	85,612					85,612
Restricted for:						
Capital projects					691,970	691,970
General government					1,127	1,127
Education				5,300,425		5,300,425
Health and welfare					203,171	203,171
Open space					5,854	5,854
Sewer use					13,545	13,545
Committed to:						
Education		268,158			3,099	271,257
General government	19,629				3,311	22,940
Public safety		711,128				711,128
Capital projects		2,419,472			45,520	2,464,992
Recreation					27,088	27,088
Open space		59,524				59,524
Assigned to:						
Education	339,577					339,577
General government	262,855	20,550				283,405
Health and welfare	288					288
Public safety	21,750				6,000	27,750
Public works	463,841					463,841
Recreation	7,900					7,900
Subsequent year's budget	620,000					620,000
Unassigned	4,011,990		(749,184)		(256,843)	3,005,963
Total Fund Balances	<u>\$ 5,833,442</u>	<u>\$ 3,478,832</u>	<u>\$ (749,184)</u>	<u>\$ 5,700,425</u>	<u>\$ 784,129</u>	<u>\$ 15,047,644</u>

### B. Fund Deficits

The Middle School Fund, a major capital projects fund, has a deficit fund balance of \$749,184 primarily due to pending state funding, which the Town cannot reasonably estimate and has, therefore, not shown as a receivable. This deficit will be funded by state funding, with any remaining balances being funded by General Fund contributions.

The Bridge Construction Fund, a nonmajor capital projects fund, has a deficit fund balance of \$256,843 primarily due to a pending disagreement between the State of Connecticut and the Town's contractor as it relates to contract compliance. This deficit will be funded by General Fund contributions and/or additional state revenues.

## **12. CONTINGENT LIABILITIES**

The Town of East Haddam, 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, 2012

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Property taxes:				
Current and prior years' levies	\$ 20,702,077	\$ 20,702,077	\$ 20,589,050	\$ (113,027)
Interest and penalties	90,000	90,000	130,925	40,925
Other taxes	8,000	8,000	18,264	10,264
Total property taxes	<u>20,800,077</u>	<u>20,800,077</u>	<u>20,738,239</u>	<u>(61,838)</u>
Intergovernmental revenues:				
General government:				
Chester Assessor agreement	43,000	43,000	43,564	564
Finance Director shared services		4,167	4,167	-
State revenue sharing			78,522	78,522
PILOT State property	33,405	33,405	33,418	13
Casino funds	25,923	25,923	28,048	2,125
State highway - Town Aid Road	166,567	166,567	166,925	358
Local Capital Improvement Program	90,170	90,170	89,721	(449)
Senior Transportation Grant	31,354	31,354	24,626	(6,728)
Emergency Management Grant	4,100	4,100	4,100	-
Federal Bridge Grant	1,340,526	1,340,526		(1,340,526)
Miscellaneous allotments	10,000	14,311	143,288	128,977
Police grant		27,600	12,420	(15,180)
School bond - principal	224,938	224,938	224,938	-
School bond - interest	13,796	13,796	12,167	(1,629)
Tax relief veterans, elderly and disabled	62,300	62,300	72,050	9,750
PILOT - Goodspeed Opera House	25,000	25,000	25,678	678
Education:				
Adult Education	5,266	5,266	5,205	(61)
Transportation	75,158	75,158	70,844	(4,314)
Education Cost Sharing/Special				
Education Grant	3,718,223	3,718,223	3,697,641	(20,582)
Total intergovernmental revenues	<u>5,869,726</u>	<u>5,905,804</u>	<u>4,737,322</u>	<u>(1,168,482)</u>
Investment and interest income:				
Investment income	<u>115,000</u>	<u>115,000</u>	<u>56,102</u>	<u>(58,898)</u>
Local revenue:				
Animal Control	200	200	600	400
Assessor fees	500	500	575	75
Building Department	100,000	100,000	81,301	(18,699)
Cemeteries	2,100	2,100	1,760	(340)
Economic Development Commission	3,700	3,700	3,369	(331)
Fire permits	200	200	150	(50)

(Continued on next page)

## TOWN OF EAST HADDAM, CONNECTICUT

## GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Local revenue (continued):				
Historic District permits	\$ 300	\$ 300	\$ 150	\$ (150)
Land Use Offices permit fees	25,000	25,000	26,797	1,797
Other	5,000	5,000	66,911	61,911
Police special duty	22,493	22,493	9,729	(12,764)
Rents	12,000	12,000	11,750	(250)
Telecommunications	20,000	20,000	31,333	11,333
Conveyance tax	100,000	100,000	61,949	(38,051)
Town Clerk fees	157,800	157,800	147,401	(10,399)
Town Clerk licenses	21,000	21,000	26,462	5,462
Preservation revenue	4,600	4,600	5,589	989
Sanitation/Transfer Station	80,000	80,000	70,932	(9,068)
Zoning Board of Appeals	2,500	2,500	2,500	-
Total local revenue	<u>557,393</u>	<u>557,393</u>	<u>549,258</u>	<u>(8,135)</u>
Other:				
Ray School Corporation	213,864	213,864	213,864	-
Helon Cone Trust	15,000	15,000	14,285	(715)
Total other	<u>228,864</u>	<u>228,864</u>	<u>228,149</u>	<u>(715)</u>
Total revenues	<u>27,571,060</u>	<u>27,607,138</u>	<u>26,309,070</u>	<u>(1,298,068)</u>
Other financing sources:				
Transfers from other funds:				
Albert E. Purple Fund	277,807	277,807	260,291	(17,516)
Palmer Fund	38,000	38,000	29,250	(8,750)
Recreation	14,923	14,923	14,923	-
Board of Education Reserves		35,000	35,000	-
Reserve for Capital Projects	335,132	335,132	335,132	-
Revaluation	125,000	125,000	125,000	-
Reliance on fund balance	575,000	575,000		(575,000)
Total other financing sources	<u>1,365,862</u>	<u>1,400,862</u>	<u>799,596</u>	<u>(601,266)</u>
Total Revenues and Other Financing Sources	<u>\$ 28,936,922</u>	<u>\$ 29,008,000</u>	27,108,666	<u>\$ (1,899,334)</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,802,300	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes			461,908	
Grange Hall revenue included in General Fund for GAAP purposes, but separate for budgetary purposes			400	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 29,373,274</u>	

## 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, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Government:				
Assessor	\$ 117,247	\$ 117,247	\$ 114,851	\$ 2,396
Grange Hall	14,150	14,150	8,615	5,535
Millington School House maintenance	580	580	464	116
River House/Annex Maintenance	9,470	9,470	7,514	1,956
Town Hall maintenance	2,675	2,675	2,487	188
Central services	97,559	97,559	97,637	(78)
Elections and registrars	41,082	41,082	33,562	7,520
Board of Finance	153,999	158,166	163,599	(5,433)
Planning and Zoning/Land Use Office	170,661	199,410	191,202	8,208
Old Middle School	74,370	74,370	39,393	34,977
Probate Court	10,907	10,907	11,806	(899)
Selectmen	126,494	126,494	124,360	2,134
Tax Collector	104,916	130,674	129,375	1,299
Town Clerk	210,344	210,344	198,183	12,161
Treasurer	16,474	16,474	16,449	25
Fringe Benefits	672,377	672,377	643,279	29,098
Insurance	163,074	163,074	155,678	7,396
Legal Services	68,200	68,200	61,743	6,457
Technology	104,480	104,480	101,003	3,477
Board of Assessment Appeals	1,328	1,328	888	440
Conservation Commission	2,906	2,906	2,479	427
Economic Development Commission	29,259	29,259	17,874	11,385
Historic District Commission	1,438	1,438	1,139	299
Open Space Committee	15,405	15,405	14,894	511
Village Revitalization Commission		1,000		1,000
Zoning Board of Appeals	6,499	6,499	9,186	(2,687)
Total general government	<u>2,215,894</u>	<u>2,275,568</u>	<u>2,147,660</u>	<u>127,908</u>
Public safety:				
Animal Control	35,534	35,534	37,147	(1,613)
Building Department	114,700	114,700	111,143	3,557
Emergency management	63,043	63,043	143,315	(80,272)
Fire Department	242,775	242,775	236,828	5,947
Fire Marshal	24,053	24,534	15,264	9,270
Police officers	152,445	180,045	154,944	25,101
Resident troopers	209,722	209,722	208,204	1,518
Total public safety	<u>842,272</u>	<u>870,353</u>	<u>906,845</u>	<u>(36,492)</u>

(Continued on next page)

## TOWN OF EAST HADDAM, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Public works:				
General highways	\$ 986,835	\$ 990,665	\$ 940,991	\$ 49,674
Snow removal	225,881	156,527	102,959	53,568
Town garage maintenance	56,100	56,100	45,317	10,783
Transfer Station	549,444	555,815	540,975	14,840
Total public works	<u>1,818,260</u>	<u>1,759,107</u>	<u>1,630,242</u>	<u>128,865</u>
Health and welfare:				
Cemeteries	7,100	7,100	6,297	803
Health District	75,013	75,013	74,798	215
Human Services	3,320	3,320	3,250	70
Senior Services	103,301	103,301	96,991	6,310
Youth and Family Services	149,176	149,176	149,176	-
Total health and welfare	<u>337,910</u>	<u>337,910</u>	<u>330,512</u>	<u>7,398</u>
Recreation and leisure:				
Lakes Association	10,400	10,400	4,314	6,086
Public Libraries	182,555	187,555	187,555	-
Recreation Commission	77,930	77,930	77,896	34
Greens maintenance	7,350	7,350	7,711	(361)
Total recreation and leisure	<u>278,235</u>	<u>283,235</u>	<u>277,476</u>	<u>5,759</u>
Board of Education	<u>18,293,633</u>	<u>18,293,633</u>	<u>18,059,117</u>	<u>234,516</u>
Other:				
Contingency Fund	<u>90,000</u>	<u>28,277</u>		<u>28,277</u>
Debt service	<u>2,009,502</u>	<u>2,009,502</u>	<u>2,009,501</u>	<u>1</u>
Capital improvements:				
Current	2,753,716	2,903,772	794,696	2,109,076
Carryovers:				
General government		33,752	11,050	22,702
Fire department				-
Health and welfare		1,810	1,522	288
Emergency maintenance				-
General highways		429,410	195,867	233,543
Police officers		25,000	25,000	-
Transfer station/sanitation		4,190	1,775	2,415
Education		661,730	384,342	277,388
Recreation				-
Total capital improvements	<u>2,753,716</u>	<u>4,059,664</u>	<u>1,414,252</u>	<u>2,645,412</u>

(Continued on next page)

## TOWN OF EAST HADDAM, CONNECTICUT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Total expenditures	\$ 28,639,422	\$ 29,917,249	\$ 26,775,605	\$ 3,141,644
Other financing uses:				
Transfers to other funds:				
Special Revenue Funds	247,500	242,500	164,677	77,823
Maintenance Fund	50,000	50,000	50,000	-
Reserve for Capital Project Activities		246,393	246,393	-
Total other financing uses	<u>297,500</u>	<u>538,893</u>	<u>461,070</u>	<u>77,823</u>
Total Budgetary Expenditures and Other Financing Uses	\$ <u>28,936,922</u>	\$ <u>30,456,142</u>	27,236,675	\$ <u>3,219,467</u>
Budgetary expenditures are different than GAAP expenditures because:				
Maintenance Fund expenditures			(8,042)	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,802,300	
Payroll accrual adjustment - payroll budgeted on a cash basis			(72,149)	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes			<u>461,908</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>29,420,692</u>	

## TOWN OF EAST HADDAM, CONNECTICUT

## GENERAL FUND

## COMPARATIVE BALANCE SHEET

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,306,316	\$ 5,877,178
Due from other governments	428,537	430,935
Property taxes receivable (net of allowance for uncollected taxes)	379,251	304,653
Other accounts receivable	230,890	144,184
Due from other funds	2,123,381	1,351,107
Prepaid asset	<u>85,612</u>	<u>                    </u>
Total Assets	<u>\$ 7,553,987</u>	<u>\$ 8,108,057</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 947,258	\$ 1,421,998
Due to other funds	193,941	122,219
Deferred revenues	<u>579,346</u>	<u>682,980</u>
Total liabilities	<u>1,720,545</u>	<u>2,227,197</u>
Fund balance:		
Nonspendable	85,612	
Committed	19,629	11,187
Assigned	1,716,211	1,964,988
Unassigned	<u>4,011,990</u>	<u>3,904,685</u>
Total fund balance	<u>5,833,442</u>	<u>5,880,860</u>
Total Liabilities and Fund Balance	<u>\$ 7,553,987</u>	<u>\$ 8,108,057</u>

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND  
REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2012

Grand List	Uncollected Taxes July 1, 2011	Current Year Levy	Assessor's Additions	Assessor's Deductions	Transfers to Suspense	Refunds	Adjusted Taxes Collectible	Collections			Uncollected Taxes July 1, 2012
								Taxes	Interest Liens and Other Fees	Total	
2010	\$	\$ 20,723,114	\$ 11,986	\$ 44,612	\$ 13,773	\$ 3,349	\$ 20,680,064	\$ 20,458,313	\$ 77,668	\$ 20,535,981	\$ 221,751
2009	195,777		500	15,028	5,141	14,813	190,921	111,387	28,096	139,483	79,534
2008	70,824			13,723	3,093	13,723	67,731	23,012	8,604	31,616	44,719
2007	38,517				1,071		37,446	6,848	2,671	9,519	30,598
2006	17,101				176		16,925		932	932	16,925
2005	4,746		129				4,875	129		129	4,746
	<u>\$ 326,965</u>	<u>\$ 20,723,114</u>	<u>\$ 12,615</u>	<u>\$ 73,363</u>	<u>\$ 23,254</u>	<u>\$ 31,885</u>	<u>\$ 20,997,962</u>	20,599,689	117,971	20,717,660	<u>\$ 398,273</u>

Suspense collections:

2010	1,110	174	1,284
2009	2,217	640	2,857
2008	323	169	492
2007	905	596	1,501
2006	928	775	1,703
2005	3,189	3,200	6,389
2004	2,460	2,889	5,349
2003	1,985	373	2,358
2002	169	262	431
2001	359	631	990
2000	38	70	108
1996	162	415	577
1995	320	880	1,200

Total \$ 20,613,854 \$ 129,045 \$ 20,742,899

TOWN OF EAST HADDAM, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

Special Revenue Funds

	<u>WPCA Sewer</u>	<u>Senior Transportation</u>	<u>Miscellaneous Grants</u>	<u>Recreation Activity</u>	<u>Dog Pound Improvements</u>	<u>Senior Center Donation</u>	<u>Records Preservation</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 65,959	\$ 13,474	\$	\$	\$	\$	\$
Investments							
Due from other governments							
Accounts receivable	9,556						
Due from other funds				54,398	6,000	25,891	3,313
Inventory							
Total Assets	<u>\$ 75,515</u>	<u>\$ 13,474</u>	<u>\$ -</u>	<u>\$ 54,398</u>	<u>\$ 6,000</u>	<u>\$ 25,891</u>	<u>\$ 3,313</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$	\$	\$	\$ 11,428	\$	\$	\$ 2
Due to other funds	61,970						
Deferred revenue				15,882			
Total liabilities	<u>61,970</u>	<u>-</u>	<u>-</u>	<u>27,310</u>	<u>-</u>	<u>-</u>	<u>2</u>
Fund Balances:							
Nonspendable							
Restricted	13,545	13,474				25,891	
Committed				27,088			3,311
Assigned					6,000		
Unassigned							
Total fund balance	<u>13,545</u>	<u>13,474</u>	<u>-</u>	<u>27,088</u>	<u>6,000</u>	<u>25,891</u>	<u>3,311</u>
Total Liabilities and Fund Balances	<u>\$ 75,515</u>	<u>\$ 13,474</u>	<u>\$ -</u>	<u>\$ 54,398</u>	<u>\$ 6,000</u>	<u>\$ 25,891</u>	<u>\$ 3,313</u>

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

**JUNE 30, 2011**

**Special Revenue Funds**

	<u><b>Educational Grants</b></u>	<u><b>School Cafeteria</b></u>	<u><b>Farmers Market</b></u>	<u><b>Green Committee</b></u>	<u><b>Transfer Station</b></u>	<u><b>Forestry Management</b></u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 104,403	\$ 8,394	\$	\$	\$ 6,949	\$
Investments						
Due from other governments	3,424	11,367				
Accounts receivable						
Due from other funds		50,000	780	580		5,854
Inventory		494				
<b>Total Assets</b>	<u><u>\$ 107,827</u></u>	<u><u>\$ 70,255</u></u>	<u><u>\$ 780</u></u>	<u><u>\$ 580</u></u>	<u><u>\$ 6,949</u></u>	<u><u>\$ 5,854</u></u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 18,865	\$ 66,662	\$ 233	\$	\$ 6,949	\$
Due to other funds						
Deferred revenue	88,962					
<b>Total liabilities</b>	<u><u>107,827</u></u>	<u><u>66,662</u></u>	<u><u>233</u></u>	<u><u>-</u></u>	<u><u>6,949</u></u>	<u><u>-</u></u>
Fund Balances:						
Nonspendable		494				
Restricted			547	580		5,854
Committed		3,099				
Assigned						
Unassigned						
<b>Total fund balance</b>	<u><u>-</u></u>	<u><u>3,593</u></u>	<u><u>547</u></u>	<u><u>580</u></u>	<u><u>-</u></u>	<u><u>5,854</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 107,827</u></u>	<u><u>\$ 70,255</u></u>	<u><u>\$ 780</u></u>	<u><u>\$ 580</u></u>	<u><u>\$ 6,949</u></u>	<u><u>\$ 5,854</u></u>

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

**JUNE 30, 2011**

	Capital Project Funds				Permanent Funds		Total Nonmajor Governmental Funds
	Bridge Construction	Capital Grants	Middle School Conversion	William Palmer	Cemetery	Trust Scholarship Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$	\$	\$	\$ 10,948	\$	\$	\$ 210,127
Investments				681,022	192,719	9,275	883,016
Due from other governments		24,161					38,952
Accounts receivable							9,556
Due from other funds			45,520		1,605		193,941
Inventory							494
<b>Total Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	-	24,161	45,520	691,970	194,324	9,275	1,336,086
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts and other payables	\$	\$	\$	\$	\$	\$	\$ 137,815
Due to other funds		223,514	13,105				298,589
Deferred revenue			10,709				115,553
<b>Total liabilities</b>		<b>256,843</b>	<b>24,161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>551,957</b>
<b>Fund Balances:</b>							
Nonspendable					35,587	4,206	40,287
Restricted				691,970	158,737	5,069	915,667
Committed			45,520				79,018
Assigned							6,000
Unassigned		(256,843)					(256,843)
<b>Total fund balance</b>		<b>(256,843)</b>	<b>-</b>	<b>45,520</b>	<b>194,324</b>	<b>9,275</b>	<b>784,129</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	-	24,161	45,520	691,970	194,324	9,275	1,336,086

TOWN OF EAST HADDAM, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

Special Revenue Funds

	<u>WPCA Sewer</u>	<u>Senior Transportation</u>	<u>Miscellaneous Grants</u>	<u>Recreation Activity</u>	<u>Dog Pound Improvements</u>	<u>Senior Center Donations</u>	<u>Records Preservation</u>
Revenues:							
Intergovernmental revenues	\$	\$	\$ 19,000	\$	\$	\$	\$ 3,500
Charges for sales and services	143,055			91,377		200	
Income on investments	319	25					
Other					6,000		
Donations and gifts		2,312				1,227	
Total revenues	<u>143,374</u>	<u>2,337</u>	<u>19,000</u>	<u>91,377</u>	<u>6,000</u>	<u>1,427</u>	<u>3,500</u>
Expenditures:							
Current:							
General government							3,624
Public works	147,751						
Health and welfare			19,000				
Recreation and leisure				90,834			
Education						246	
Capital outlay						246	
Total expenditures	<u>147,751</u>	<u>-</u>	<u>19,000</u>	<u>90,834</u>	<u>-</u>	<u>246</u>	<u>3,624</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,377)</u>	<u>2,337</u>	<u>-</u>	<u>543</u>	<u>6,000</u>	<u>1,181</u>	<u>(124)</u>
Other Financing Sources (Uses):							
Transfers in				25,000			
Transfers out				(14,923)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,377)	2,337	-	10,620	6,000	1,181	(124)
Fund Balances at Beginning of Year	<u>17,922</u>	<u>11,137</u>	<u>-</u>	<u>16,468</u>	<u>-</u>	<u>24,710</u>	<u>3,435</u>
Fund Balances at End of Year	<u>\$ 13,545</u>	<u>\$ 13,474</u>	<u>\$ -</u>	<u>\$ 27,088</u>	<u>\$ 6,000</u>	<u>\$ 25,891</u>	<u>\$ 3,311</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>					
	<u>Educational Grants</u>	<u>School Cafeteria</u>	<u>Farmers Market</u>	<u>Green Committee</u>	<u>Transfer Station</u>	<u>Forestry Management</u>
Revenues:						
Intergovernmental revenues	\$ 616,179	\$ 80,308	\$	\$	\$	\$ 10,739
Charges for sales and services		267,852				
Income on investments						
Other	322,397					
Donations and gifts						
Total revenues	<u>938,576</u>	<u>348,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,739</u>
Expenditures:						
Current:						
General government			453			
Public works						
Health and welfare						
Recreation and leisure						6,903
Education	938,576	404,669				
Capital outlay						
Total expenditures	<u>938,576</u>	<u>404,669</u>	<u>453</u>	<u>-</u>	<u>-</u>	<u>6,903</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(56,509)</u>	<u>(453)</u>	<u>-</u>	<u>-</u>	<u>3,836</u>
Other Financing Sources (Uses):						
Transfers in		50,000	1,000			1,500
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>50,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Net Change in Fund Balances	-	(6,509)	547	-	-	5,336
Fund Balances at Beginning of Year	<u>-</u>	<u>10,102</u>	<u>-</u>	<u>580</u>	<u>-</u>	<u>518</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 3,593</u>	<u>\$ 547</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 5,854</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Capital Project Funds				Permanent Funds		Total Nonmajor Governmental Funds
	Bridge Construction	Capital Grants	Middle School Conversion	William Palmer	Cemetery	Trust Scholarship Fund	
Revenues:							
Intergovernmental revenues	\$	\$ 63,567	\$	\$	\$	\$	\$ 793,293
Charges for sales and services							502,484
Income on investments				1,064	1,268	132	2,808
Other					443		328,840
Donations and gifts							3,539
Total revenues	<u>-</u>	<u>63,567</u>	<u>-</u>	<u>1,064</u>	<u>1,711</u>	<u>132</u>	<u>1,630,964</u>
Expenditures:							
Current:							
General government							4,077
Public works							147,751
Health and welfare				4,910	3,430		27,340
Recreation and leisure							97,737
Education						100	1,343,345
Capital outlay	<u>2,719</u>	<u>63,567</u>	<u>-</u>	<u>4,910</u>	<u>3,430</u>	<u>100</u>	<u>66,532</u>
Total expenditures	<u>2,719</u>	<u>63,567</u>	<u>-</u>	<u>4,910</u>	<u>3,430</u>	<u>100</u>	<u>1,686,782</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,719)</u>	<u>-</u>	<u>-</u>	<u>(3,846)</u>	<u>(1,719)</u>	<u>32</u>	<u>(55,818)</u>
Other Financing Sources (Uses):							
Transfers in							77,500
Transfers out				(29,250)			(44,173)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,250)</u>	<u>-</u>	<u>-</u>	<u>33,327</u>
Net Change in Fund Balances	(2,719)	-	-	(33,096)	(1,719)	32	(22,491)
Fund Balances at Beginning of Year	<u>(254,124)</u>	<u>-</u>	<u>45,520</u>	<u>725,066</u>	<u>196,043</u>	<u>9,243</u>	<u>806,620</u>
Fund Balances at End of Year	<u>\$ (256,843)</u>	<u>\$ -</u>	<u>\$ 45,520</u>	<u>\$ 691,970</u>	<u>\$ 194,324</u>	<u>\$ 9,275</u>	<u>\$ 784,129</u>

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

## FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Student Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ 152,586	\$ 430,443	\$ 429,888	\$ 153,141
Liabilities:				
Due to student groups	\$ 152,586	\$ 430,443	\$ 429,888	\$ 153,141
<b>Performance Bonds</b>				
Assets:				
Cash and cash equivalents	\$ 75,373	\$ 647	\$ -	\$ 76,020
Liabilities:				
Due to contractors and others	\$ 75,373	\$ 647	\$ -	\$ 76,020
<b>Driveway Bonds</b>				
Assets:				
Cash and cash equivalents	\$ 98,148	\$ 7,000	\$ 6,500	\$ 98,648
Liabilities:				
Due to contractors and others	\$ 98,148	\$ 7,000	\$ 6,500	\$ 98,648
<b>Total</b>				
Assets:				
Cash and cash equivalents	\$ 326,107	\$ 438,090	\$ 436,388	\$ 327,809
Liabilities:				
Due to student groups, contractors and others	\$ 326,107	\$ 438,090	\$ 436,388	\$ 327,809

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF DEBT LIMITATION

JUNE 30, 2012

(in Thousands)

Total tax collections (including interest and lien fees) received by  
Treasurer for year ended June 30, 2012 \$ 20,743

	<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	\$ 46,672	\$	\$	\$	\$
4-1/2 times base		93,344			
3-3/4 times base			77,786		
3-1/4 times base				67,415	
3 times base					62,229
Total debt limitation	<u>46,672</u>	<u>93,344</u>	<u>77,786</u>	<u>67,415</u>	<u>62,229</u>
Indebtedness:					
Bonds payable	2,112	16,108	329		
Bonds authorized - unissued	2,151	15,197	16		
Building grants received		(14,796)			
Building grants receivable		(107)			
Total indebtedness	<u>4,263</u>	<u>16,402</u>	<u>345</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 42,409</u>	<u>\$ 76,942</u>	<u>\$ 77,441</u>	<u>\$ 67,415</u>	<u>\$ 62,229</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$145,201).

TOWN OF EAST HADDAM, CONNECTICUT

BOND PAYMENT SCHEDULE

JUNE 30, 2012

09

Fiscal Year	August 11, 2010 Bonds		May 15, 2008 Bonds		May 1, 2003 Refunded Bonds		Clean Water Loan		Gross Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 200,000	\$ 107,138	\$ 750,000	\$ 570,969	\$ 245,000	\$ 8,820	\$ 82,177	\$ 6,163	\$ 1,277,177	\$ 693,090
2014	200,000	103,138	775,000	546,594			82,177	4,520	1,057,177	654,252
2015	200,000	99,138	900,000	509,782			82,177	2,876	1,182,177	611,796
2016	200,000	95,138	900,000	480,532			82,174	1,233	1,182,174	576,903
2017	200,000	91,138	910,000	450,156					1,110,000	541,294
2018	200,000	86,888	920,000	416,031					1,120,000	502,919
2019	200,000	82,138	920,000	372,331					1,120,000	454,469
2020	200,000	76,888	925,000	335,531					1,125,000	412,419
2021	200,000	71,138	925,000	298,531					1,125,000	369,669
2022	200,000	65,138	925,000	261,531					1,125,000	326,669
2023	200,000	59,138	925,000	224,531					1,125,000	283,669
2024	200,000	53,038	875,000	186,375					1,075,000	239,413
2025	200,000	46,738	875,000	150,281					1,075,000	197,019
2026	200,000	40,238	875,000	113,093					1,075,000	153,331
2027	200,000	33,538	875,000	75,906					1,075,000	109,444
2028	200,000	26,638	875,000	38,281					1,075,000	64,919
2029	200,000	19,538							200,000	19,538
2030	200,000	12,188							200,000	12,188
2031	225,000	4,219							225,000	4,219
	<u>\$ 3,825,000</u>	<u>\$ 1,173,153</u>	<u>\$ 14,150,000</u>	<u>\$ 5,030,455</u>	<u>\$ 245,000</u>	<u>\$ 8,820</u>	<u>\$ 328,705</u>	<u>\$ 14,792</u>	<u>\$ 18,548,705</u>	<u>\$ 6,227,220</u>