

**TOWN OF EAST HADDAM, CONNECTICUT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

# TOWN OF EAST HADDAM, CONNECTICUT

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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 (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011 on our consideration of the Town'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.

Management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on pages 41 through 45 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 8, 2011

**TOWN OF EAST HADDAM, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. 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 \$1.7 million or 2.57%.
- During the year, the Town had expenses that were \$1.7 million less than the \$31 million generated in tax and other revenues for governmental programs. This is largely attributed to \$1.3 million in carryforward appropriations.
- The total cost of all of the Town's programs was \$29 million.
- At the end of the fiscal year the total General Fund balance was \$5.9 million, or 22.5% of General Fund expenditures and transfers out; of that fund balance 15% is unassigned and 7.5% is assigned.
- The resources available for appropriation were \$600 thousand less than budgeted for the General Fund. This is largely attributed to the State of Connecticut supplanting Education Cost Sharing (ECS) monies with American Recovery and Reinvestment Act (ARRA) monies.
- The Town's total long-term debt outstanding increased by \$3.8 million due to a bond issuance for Open Space and the 4-8 Middle School project.

**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 \$64,517,870 to \$66,173,248. 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>2011</u>	<u>2010</u>
Current and other assets	\$ 19,639,421	\$ 17,257,062
Capital assets	70,079,299	70,335,625
Total assets	<u>89,718,720</u>	<u>87,592,687</u>
Long-term debt outstanding	20,996,327	18,560,348
Other liabilities	2,549,145	4,514,469
Total liabilities	<u>23,545,472</u>	<u>23,074,817</u>
Net assets:		
Invested in capital assets, net of debt	49,599,651	49,660,747
Restricted	442,038	440,380
Unrestricted	<u>16,131,559</u>	<u>14,416,743</u>
Total Net Assets	<u>\$ 66,173,248</u>	<u>\$ 64,517,870</u>

- Net assets of the Town's governmental activities increased by 2.57%. 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 \$14,416,743 at June 30, 2010 to \$16,131,559 at the end of this year. The increase to long-term debt outstanding is attributed to the August 2010 bond issuance in the amount of \$3,825,000 for Open Space (\$1,688,705) and the 4-8 Middle School project (\$2,136,295).

**TABLE 2  
CHANGE IN NET ASSETS**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,083,242	\$ 1,166,685
Operating grants and contributions	6,939,844	7,163,073
Capital grants and contributions	715,499	286,226
General revenues:		
Property taxes	20,460,794	20,076,823
Grants and contributions not restricted to specific purposes	200,733	122,901
Unrestricted investment earnings	1,240,621	1,000,450
Other general revenues	57,248	114,982
Total revenues	<u>30,697,981</u>	<u>29,931,140</u>
Program expenses:		
General government	2,215,501	2,234,968
Public safety	899,525	850,342
Public works	2,702,930	2,727,053
Health and welfare	351,538	383,616
Recreation and leisure	395,691	378,865
Education	21,738,608	21,830,720
Interest on long-term debt	738,810	911,690
Total program expenses	<u>29,042,603</u>	<u>29,317,254</u>
Increase in Net Assets	<u>\$ 1,655,378</u>	<u>\$ 613,886</u>

The Town's total revenues were \$30,697,981. The total cost of all programs and services was \$29,042,603. Our analysis below considers the operations of governmental activities.

***Governmental Activities***

Approximately 66.7% of the Town's revenues were derived from property taxes, followed by 22.6% from operating grants and contributions, then 3.5% from charges for services. The mill rate for fiscal year 2011 was 20.87. The mill rate for fiscal year 2010 was 20.55.

For Governmental Activities, 74.9% of the Town's expenditures relate to education, 9.3% relate to public works and 7.6% to general government.

The Town has provided for carryforward appropriations in the amount of \$1,323,142.

***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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General government	\$ 2,215,501	\$ 2,234,968	\$ 1,781,669	\$ 1,779,633
Public safety	899,525	850,342	881,678	832,184
Public works	2,702,930	2,727,053	1,778,918	2,211,765
Health and welfare	351,538	383,616	292,047	323,528
Recreation and leisure	395,691	378,865	229,925	184,850
Education	21,738,608	21,830,720	14,626,690	14,496,686
Other	738,810	911,690	713,091	872,624
Totals	\$ <u>29,042,603</u>	\$ <u>29,317,254</u>	\$ <u>20,304,018</u>	\$ <u>20,701,270</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 \$16,541,792, which is an increase from last year’s total of \$11,913,048. The increase in combined fund balance is largely attributed to the August 2010 bond issuance in the amount of \$3,825,000 for Open Space (\$1,688,705) and the 4-8 Middle School project (\$2,136,295).

***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, 2011, there was a \$100 thousand budgeted transfer as well as a \$25 thousand transfer; which represented the Board of Education fiscal year ended June 30, 2010 surplus, net of encumbrances.

The resources available for appropriation were \$600 thousand less than budgeted for the General Fund. This is largely a result of the ECS monies with ARRA monies. The ARRA monies are reflected as a shortfall in State Education revenues to the Town with a corresponding positive year end expense variance for Education.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At June 30, 2011, the Town had \$70.1 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and roads (see Table 4). The decrease (including additions and deductions) of \$257 thousand over last year is primarily due to the depreciation expense exceeding the acquisition of new assets.

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

	Governmental Activities	
	2011	2010
Land	\$ 5,509	\$ 5,509
Building and improvements	49,915	50,454
Furniture and equipment	2,625	2,778
Infrastructure	11,514	11,510
Construction in progress	516	85
Totals	<u>\$ 70,079</u>	<u>\$ 70,336</u>

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

### *Long-Term Debt*

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

	Governmental Activities	
	2011	2010
General obligation bonds	\$ 19,348,765	\$ 16,926,817
Notes payable	410,883	493,061
Total	<u>\$ 19,759,648</u>	<u>\$ 17,419,878</u>

At June 30, 2011, the Town had \$19,759,648 in bonds and notes outstanding versus \$17,419,878 last year. During the fiscal year Standard & Poor's upgraded the Town's bond rating to AA+.

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 2011-2012 General Fund budget.

Revenues: The Town anticipated lower state, federal and local revenue and as a result reduced the total General Fund budget for general government and education by \$195 thousand. The budget includes a reliance on the general fund of \$575 thousand to reduce the tax increase to our citizens. The budget provides for an increase in budgeted property taxes of \$382 thousand for a mill rate increase of .23. The mill rate for fiscal year 2011-2012 is 21.10.

Expenses: The expenditure budget for 2011-2012 is \$28,936,922 or an increase of \$1.5 million. The entire increase is attributed to a capital bridge improvement in the amount of \$1.7 million. The bridge project will be funded 80% by a Federal grant and 20% through capital reserves. The expenditure budget, net of the bridge project, was reduced by \$195 thousand over the prior year's budget.

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

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

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	<b>Governmental Activities</b>
	<u>                    </u>
Assets:	
Cash and cash equivalents	\$ 11,977,027
Investments	6,612,721
Receivables, net	1,047,428
Inventory	2,245
Capital assets not being depreciated	6,024,753
Capital assets being depreciated, net	64,054,546
Total assets	<u>89,718,720</u>
Liabilities:	
Accounts and other payables	1,613,171
Unearned revenue	127,293
Bond anticipation notes	720,000
Deferred credits	88,681
Noncurrent liabilities:	
Due within one year	1,634,357
Due in more than one year	19,361,970
Total liabilities	<u>23,545,472</u>
Net Assets:	
Invested in capital assets, net of related debt	49,599,651
Restricted for trust purposes	442,038
Unrestricted	16,131,559
Total Net Assets	<u>\$ 66,173,248</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,215,501	\$ 430,747	\$ 3,085	\$	\$ (1,781,669)
Public safety	899,525	13,747	4,100		(881,678)
Public works	2,702,930	208,513		715,499	(1,778,918)
Health and welfare	351,538		59,491		(292,047)
Recreation and leisure	395,691	165,466	300		(229,925)
Education	21,738,608	264,769	6,847,149		(14,626,690)
Interest on long-term debt	738,810		25,719		(713,091)
Total	<u>\$ 29,042,603</u>	<u>\$ 1,083,242</u>	<u>\$ 6,939,844</u>	<u>\$ 715,499</u>	<u>(20,304,018)</u>
General revenues:					
Property taxes					20,460,794
Grants and contributions not restricted to specific programs					200,733
Unrestricted net investment income					1,240,621
Other					57,248
Total general revenues					<u>21,959,396</u>
Change in net assets					1,655,378
Net Assets at Beginning of Year					<u>64,517,870</u>
Net Assets at End of Year					<u>\$ 66,173,248</u>

The accompanying notes are an integral part of the financial statements

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

**JUNE 30, 2011**

	<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>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,877,178	\$ 5,429,739	\$ 43,546	\$ 384,910	\$ 194,189	\$ 11,929,562
Investments				5,716,392	896,329	6,612,721
Receivables, net	879,772				167,656	1,047,428
Due from other funds	1,351,107				122,219	1,473,326
Inventories					2,245	2,245
Total Assets	<u>\$ 8,108,057</u>	<u>\$ 5,429,739</u>	<u>\$ 43,546</u>	<u>\$ 6,101,302</u>	<u>\$ 1,382,638</u>	<u>\$ 21,065,282</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 1,421,998	\$ 175	\$	\$	\$ 102,229	\$ 1,524,402
Due to other funds	122,219	864,598	135,502		351,007	1,473,326
Deferred revenue	682,980				122,782	805,762
Bond anticipation notes payable			720,000			720,000
Total liabilities	<u>2,227,197</u>	<u>864,773</u>	<u>855,502</u>	<u>-</u>	<u>576,018</u>	<u>4,523,490</u>
Fund balances:						
Nonspendable				400,000	42,038	442,038
Restricted				5,701,302	945,426	6,646,728
Committed	11,187	4,450,133			73,280	4,534,600
Assigned	1,964,988	114,833				2,079,821
Unassigned	3,904,685		(811,956)		(254,124)	2,838,605
Total fund balances	<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>
Total Liabilities and Fund Balances	<u>\$ 8,108,057</u>	<u>\$ 5,429,739</u>	<u>\$ 43,546</u>	<u>\$ 6,101,302</u>	<u>\$ 1,382,638</u>	<u>\$ 21,065,282</u>

(Continued on next page)

## TOWN OF EAST HADDAM, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

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)	\$ 16,541,792
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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	\$ 90,119,569	
Less accumulated depreciation	<u>(20,040,270)</u>	
Net capital assets		70,079,299

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	261,563
Interest receivable on property taxes	72,368
Loan receivables	13,000
Receivable from the state for school construction projects	331,538

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.

	36,531
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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	(19,765,883)
Interest payable on bonds and notes	(77,835)
Compensated absences	(1,067,373)
Bond premium	(88,681)
Deferred charges on refunding	6,235
Termination benefits	(108,337)
Net OPEB obligation	<u>(60,969)</u>

Net Assets of Governmental Activities (Exhibit I)	<u>\$ 66,173,248</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, 2011

	<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	\$ 20,410,472	\$	\$	\$	\$	\$ 20,410,472
Intergovernmental	6,087,634	250,000			1,355,048	7,692,682
Charges for services	595,567				491,666	1,087,233
Income on investments	90,283	38,570	3,187	1,003,249	105,303	1,240,592
Miscellaneous	231,940		6,938		324,629	563,507
Total revenues	<u>27,415,896</u>	<u>288,570</u>	<u>10,125</u>	<u>1,003,249</u>	<u>2,276,646</u>	<u>30,994,486</u>
Expenditures:						
Current:						
General government	2,106,862	11			8,282	2,115,155
Public safety	789,815					789,815
Public works	1,743,546				380,984	2,124,530
Health and welfare	305,989				14,980	320,969
Recreation and leisure	272,735				117,230	389,965
Education	19,343,860			30,480	1,738,007	21,112,347
Debt service	2,181,385	20,647	39,268			2,241,300
Capital outlay	1,024,276	175	2,971		69,239	1,096,661
Total expenditures	<u>27,768,468</u>	<u>20,833</u>	<u>42,239</u>	<u>30,480</u>	<u>2,328,722</u>	<u>30,190,742</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(352,572)</u>	<u>267,737</u>	<u>(32,114)</u>	<u>972,769</u>	<u>(52,076)</u>	<u>803,744</u>
Other Financing Sources (Uses):						
Bond proceeds		1,688,705	2,136,295			3,825,000
Transfers in	1,366,693	285,893			51,500	1,704,086
Transfers out	(336,804)	(1,000,000)		(288,430)	(78,852)	(1,704,086)
Total other financing sources (uses)	<u>1,029,889</u>	<u>974,598</u>	<u>2,136,295</u>	<u>(288,430)</u>	<u>(27,352)</u>	<u>3,825,000</u>
Net Change in Fund Balances	677,317	1,242,335	2,104,181	684,339	(79,428)	4,628,744
Fund Balances at Beginning of Year, as Restated	<u>5,203,543</u>	<u>3,322,631</u>	<u>(2,916,137)</u>	<u>5,416,963</u>	<u>886,048</u>	<u>11,913,048</u>
Fund Balances at End 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>

(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, 2011

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)	\$ 4,628,744
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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	1,022,915
Depreciation expense	(1,279,241)

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	(347,739)
Property tax receivable - accrual basis change	37,213
Property tax interest and lien revenue - accrual basis change	13,109

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	1,492,178
Issuance of bonds and notes	(3,825,000)
Bond premiums received	(5,902)
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	(46,741)
Accrued interest	11,822
Amortization of deferred charge on refunding	(6,948)
Termination payments	(37,788)
Net OPEB expense	(11,680)

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.

4,998
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Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 1,655,378</u>
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The accompanying notes are an integral part of the financial statements

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

**JUNE 30, 2011**

	<b>Governmental Activities</b> <hr style="border: 0.5px solid black;"/> <b>Internal Service Funds</b> <hr style="border: 0.5px solid black;"/>
Assets:	
Cash and cash equivalents	\$ 47,465
Liabilities:	
Accounts and other payables	<hr style="border: 0.5px solid black;"/> 10,934
Net Assets:	
Unrestricted	<hr style="border: 0.5px solid black;"/> \$ 36,531 <hr style="border: 1.5px solid black;"/>

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, 2011

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
Operating Revenues:	
Employer contribution	\$ 30,131
Employee contributions	46,627
Total operating revenues	<u>76,758</u>
Operating Expenses:	
Administrative expense	6,474
Employee benefits	65,315
Total operating expenses	<u>71,789</u>
Operating Income	4,969
Nonoperating Revenue:	
Income on investments	<u>29</u>
Change in Net Assets	4,998
Net Assets at Beginning of Year	<u>31,533</u>
Net Assets at End of Year	<u>\$ 36,531</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST HADDAM, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u><b>Governmental Activities Internal Service Funds</b></u>
Cash Flows from Operating Activities:	
Cash received from employees and employer	\$ 76,758
Cash payments to providers of benefits and administration	<u>(72,077)</u>
Net cash provided by operating activities	<u>4,681</u>
Cash Flows from Investing Activities:	
Income on investments	<u>29</u>
Net Increase in Cash and Cash Equivalents	4,710
Cash and Cash Equivalents at Beginning of Year	<u>42,755</u>
Cash and Cash Equivalents at End of Year	<u>\$ 47,465</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 4,969
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>(288)</u>
Net Cash Provided by Operating Activities	<u>\$ 4,681</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, 2011

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
Assets:		
Cash and cash equivalents	\$ 1,071,310	\$ 326,107
Investments	<u>789,266</u>	<u>                    </u>
Total assets	1,860,576	<u>\$ 326,107</u>
Liabilities:		
Accounts and other payables	<u>                    </u>	<u>\$ 326,107</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 1,860,576</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, 2011

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 102,747
Plan members	151,836
Total contributions	<u>254,583</u>
Investment income:	
Net increase in fair value of investments	2,213
Interest and dividends	<u>153,409</u>
Total additions	410,205
Deductions:	
Benefits	<u>142,966</u>
Net Increase	267,239
Net Assets at Beginning of Year	<u>1,593,337</u>
Net Assets at End of Year	<u>\$ 1,860,576</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, 2011**

**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 donations and income on investments.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the self-insured dental plan for Board of Education employees.

The Pension Trust Fund accounts for the activities of the East Haddam Retirement System, which accumulates resources for pension benefit payments to qualified Town employees and certain Board of Education employees.

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 fund are charges to customers for benefits. Operating expenses for the Internal Service Fund includes the cost of benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

Investments for the Town are reported at fair value.

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

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

Property taxes are assessed as of October 1 and billed the following July. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are filed on delinquent taxes by June 30 each year. Interest is charged on delinquent taxes at the rate of 1.5% per month (18% per year). An amount of \$22,312 has been established as an allowance for uncollectible taxes. At June 30, 2011, this represents 6.82% 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, 2011 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 nonspendable. 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**

### Sick Leave 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. Payment will be paid over two fiscal years. At year end, accumulated vacation and unused sick leave was valued at \$1,067,373. The General Fund generally funds the cost associated with compensated absences.

## **L. Reclassifications**

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

## **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 \$746,266 in supplemental appropriations during the year, and carryover appropriations to fiscal year 2012 are \$1,323,142.

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 \$1,388,563.
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*, \$13,016,676 of the Town’s bank balance of \$14,231,730 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 11,753,059
Uninsured and collateral held by the pledging bank’s trust department, not in the District’s name	<u>1,263,617</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 13,016,676</u>

**Cash Equivalents**

At June 30, 2011, the Town’s cash equivalents amounted to \$55,957. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

## Investments

As of June 30, 2011, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities		
			Less Than 1	1-10	More Than 10
Interest-bearing investments:					
Certificates of deposit	*	\$ 102,988	\$ 102,988	\$	\$
Corporate bonds	AAA1	19,044	19,044		
Corporate bonds	AAA2	3,163	3,163		
Corporate bonds	AAA3	3,194	3,194		
Corporate bonds	A1	14,361	14,361		
Corporate bonds	AAA	28,379	28,379		
U.S. Government obligations	N/A	642,312	159,028	416,306	66,978
Total		813,441	\$ 330,157	\$ 416,306	\$ 66,978
Other investments:					
Common stock	N/A	2,435,323			
Pension investments held by insurance company	N/A	789,266			
Mutual funds	N/A	3,363,957			
Total		\$ 7,401,987			

\*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 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, 2011, the Town had \$2,435,323 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 and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:			
Interest	\$ 72,368	\$	\$ 72,368
Taxes	326,965		326,965
Accounts	71,816	6,029	77,845
Intergovernmental	430,935	161,627	592,562
Gross receivables	<u>902,084</u>	<u>167,656</u>	<u>1,069,740</u>
Less allowance for uncollectibles	<u>(22,312)</u>		<u>(22,312)</u>
Net Total Receivables	<u>\$ 879,772</u>	<u>\$ 167,656</u>	<u>\$ 1,047,428</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	\$ 261,563	\$	\$ 261,563
Accrued interest on delinquent property tax	72,368		72,368
Other revenue unearned		24,594	24,594
Grant drawdowns prior to meeting all eligibility requirements		102,699	102,699
School building grants	331,538		331,538
Loans receivable	<u>13,000</u>		<u>13,000</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 678,469</u>	<u>\$ 127,293</u>	<u>\$ 805,762</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 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	\$	\$	\$ 5,508,679
Construction in progress	84,986	460,867	(29,779)	516,074
Total capital assets not being depreciated	<u>5,593,665</u>	<u>460,867</u>	<u>(29,779)</u>	<u>6,024,753</u>
Capital assets being depreciated:				
Buildings and improvements	61,613,077	99,271		61,712,348
Furniture and equipment	6,000,077	181,434		6,181,511
Infrastructure	15,889,835	311,122		16,200,957
Total capital assets being depreciated	<u>83,502,989</u>	<u>591,827</u>	<u>-</u>	<u>84,094,816</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,159,587)	(637,135)		(11,796,722)
Furniture and equipment	(3,221,887)	(334,633)		(3,556,520)
Infrastructure	(4,379,555)	(307,473)		(4,687,028)
Total accumulated depreciation	<u>(18,761,029)</u>	<u>(1,279,241)</u>	<u>-</u>	<u>(20,040,270)</u>
Total capital assets being depreciated, net	<u>64,741,960</u>	<u>(687,414)</u>	<u>-</u>	<u>64,054,546</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,335,625</u>	<u>\$ (226,547)</u>	<u>\$ (29,779)</u>	<u>\$ 70,079,299</u>

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

Governmental activities:	
General government	\$ 73,835
Public safety	98,065
Public works	519,680
Health and welfare	28,888
Recreation and leisure	9,834
Education	<u>548,939</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,279,241</u>

There are no construction commitments at June 30, 2011.

## 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, 2011 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 122,219
General Fund	Middle School	135,502
General Fund	Reserve for Capital Projects	864,598
General Fund	Nonmajor governmental funds	<u>351,007</u>
		<u>\$ 1,473,326</u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Nonmajor Governmental</u>	
Transfers out:				
General Fund	\$	\$ 285,304	\$ 51,500	\$ 336,804
Reserve for Capital Projects	1,000,000			1,000,000
A.E. Purple Fund	288,430			288,430
Nonmajor governmental fund	<u>78,263</u>	<u>589</u>		<u>78,852</u>
Total	<u>\$ 1,366,693</u>	<u>\$ 285,893</u>	<u>\$ 51,500</u>	<u>\$ 1,704,086</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, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 16,940,000	\$ 3,825,000	\$ 1,410,000	\$ 19,355,000	\$ 1,135,000
Clean Water notes	493,061		82,178	410,883	82,178
Less deferred amounts:					
Refunding bonds	<u>(13,183)</u>		<u>(6,948)</u>	<u>(6,235)</u>	
Total bonds payable	17,419,878	3,825,000	1,485,230	19,759,648	1,217,178
OPEB liability	49,289	11,680		60,969	
Compensated absences	1,020,632	46,741		1,067,373	355,466
Termination benefits	<u>70,549</u>	<u>93,248</u>	<u>55,460</u>	<u>108,337</u>	<u>61,713</u>
Governmental Activity Long-Term Liabilities	<u>\$ 18,560,348</u>	<u>\$ 3,976,669</u>	<u>\$ 1,540,690</u>	<u>\$ 20,996,327</u>	<u>\$ 1,634,357</u>

A schedule of bonds and notes outstanding at June 30, 2011 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, 2011</u>
Bonds and notes:					
General Obligation	2010	2031	2.0-3.75	\$ 3,825,000	\$ 3,825,000
School	2008	2028	3.5-4.7	16,150,000	14,333,050
Open Space	2008	2028	3.5-4.7	500,000	441,950
School	2003	2013	2.0-3.6	2,760,000	495,000
Schools	1998	2012	3.9-4.6	6,105,000	260,000
Sewer	1997	2016	3.9-4.6	1,561,364	<u>410,883</u>
Total Outstanding					<u>\$ 19,765,883</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,217,178	\$ 792,325
2013	1,277,177	693,090
2014	1,057,177	654,252
2015	1,182,177	611,796
2016	1,182,174	576,903
2017-2021	5,600,000	2,280,770
2022-2026	5,475,000	1,200,101
2027-2031	<u>2,775,000</u>	<u>210,308</u>
	<u>\$ 19,765,883</u>	<u>\$ 7,019,545</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	\$	\$ 2,811,295
Clean Water Fund	1,577,048	1,561,364		15,684
Middle School Project	<u>34,118,000</u>	<u>18,286,295</u>	<u>720,000</u>	<u>15,111,705*</u>
Total	<u>\$ 40,695,048</u>	<u>\$ 22,036,364</u>	<u>\$ 720,000</u>	<u>\$ 17,938,684</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, 2011:

#### **Capital Project Funds**

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
Middle School	05-11-10	08-11-10	.75%	\$ 3,255,000	\$	\$ 3,255,000	\$ -
General	08-11-10	08-10-11	1.50		<u>720,000</u>		<u>720,000</u>
Total				<u>\$ 3,255,000</u>	<u>\$ 720,000</u>	<u>\$ 3,255,000</u>	<u>\$ 720,000</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 Limitation*</u>	<u>Indebtedness**</u>	<u>Balance</u>
General purpose	\$ 45,884	\$ 4,942	\$ 40,942
Schools	91,769	17,434	74,335
Sewers	76,474	426	76,048
Urban renewal	66,277		66,277
Pension deficit	61,179		61,179

\* In no case shall total indebtedness exceed seven times annual receipts from taxation (\$142,751).

\*\* Indebtedness includes bonds authorized unissued of \$15 related to the Clean Water Fund, \$2,811 related to open space.

Accrued sick and vacation pay for general government operations is \$244,050, and the amount for the Board of Education is \$823,323. This is an increase of \$46,741 from the previous year. The Board of Education has liabilities of \$108,337 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 2011, expenses of \$71,789 were incurred for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,934 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>
2009-2010	\$ 10,544	\$ 63,691	\$ 63,013	\$ 11,222
2010-2011	11,222	65,315	65,603	10,934

## 9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### A. Municipal Employees' Retirement Fund (Savings Plan)

The Municipal Employees' Retirement Fund 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% 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 \$151,836 and employer contributions were \$102,747 to the plan. These amounts represent 5.65% and 3.83% of covered payroll of \$2,682,820. Total Town and Board of Education payroll amounted to \$13,594,002.

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.

## **B. 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, 2011, 2010 and 2009 were \$47,982, \$45,734 and \$47,025, respectively, equal to the required contributions for each year.

## **C. 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 \$8,735,254 or 75.2% of the total Board of Education payroll of \$11,608,995.

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, 2011, the Town has recorded, in the General Fund, intergovernmental revenue and educational expenditures in the amount of \$1,388,563 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	211

### 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, Business Manager, Administrative Assistant to Superintendent, MIS/Network Administrator and Tech Support.

- 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><u>Post-Retirement Medical Program</u></b>
Annual required contribution (ARC)	\$ 66,029
Interest on net OPEB obligation	2,218
Adjustment to annual required contribution	<u>(2,101)</u>
Annual OPEB cost	66,146
Contributions made	<u>54,466</u>
Increase in net OPEB obligation	11,680
Net OPEB obligation, beginning of year	<u>49,289</u>
Net OPEB Obligation, End of Year	<u><u>\$ 60,969</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.

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost (AOC)</u></b>	<b><u>Actual Contribution</u></b>	<b><u>Percentage of AOC Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/11	\$ 66,146	\$ 54,466	82.30%	\$ 60,969
6/30/10	74,888	50,950	68.04	49,289
6/30/09	72,094	46,743	64.84	25,351

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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (OAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>OAAL as a percentage of Covered Payroll (b-a)/c</b>
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
7/1/2008	-	850,711	850,771	0	10,507,266	8.1

**Schedule of Employer Contributions**

<b>Fiscal Year</b>	<b>Employer Contributions</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
6/30/2011	\$ 54,466	\$ 66,029	82.5 %
6/30/2010	50,950	74,828	68.1
6/30/2009	46,743	72,094	64.8

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	\$	\$	\$	\$	\$ 2,245	\$ 2,245
Endowment				400,000	39,793	439,793
Restricted for:						
Capital projects					725,066	725,066
Education				5,701,302	5,037	5,706,339
Health and welfare					196,883	196,883
Open space					518	518
Sewer use					17,922	17,922
Committed to:						
Education		125,979			7,857	133,836
General government	11,187				3,435	14,622
Public safety		666,960				666,960
Capital projects		3,598,214			45,520	3,643,734
Recreation					16,468	16,468
Open space		58,980				58,980
Assigned to:						
Education	893,576					893,576
General government	33,752	114,833				148,585
Health and welfare	1,810					1,810
Public safety	27,250					27,250
Public works	433,600					433,600
Subsequent year's budget	575,000					575,000
Unassigned	<u>3,904,685</u>		<u>(811,956)</u>		<u>(254,124)</u>	<u>2,838,605</u>
Total Fund Balances	<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>

### B. Fund Deficits

The Middle School Fund, a major capital projects fund, has a deficit fund balance of \$811,956 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 \$254,124 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. PRIOR PERIOD ADJUSTMENTS

During the year, the Town implemented GASB Statement No. 54. This required the Town to review their funds and determine if they have a revenue source that is restricted or committed for a specific purpose. This revenue source also needs to constitute a substantial portion of the resources in the fund. As a result, various funds were reclassified to other funds.

The beginning fund balances for the following funds were restated as follows:

	<b>Original Balance <u>July 1, 2010</u></b>	<b>Restated Balance <u>July 1, 2010</u></b>
Reserve for Capital Projects	\$ 4,355,546	\$ 3,322,631
Nonmajor Governmental Funds	1,462,680	886,048
Open Space Fund	(1,609,547)	-

The Reserve for Capital and Nonrecurring, Reserve for Revaluation and Open Space Fund were reclassified into the Reserve for Capital Projects.

## 13. 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, 2011

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Current and prior years' levies	\$ 20,320,260	\$ 20,315,312	\$ 20,278,470	\$ (36,842)
Interest and penalties	90,000	90,000	122,748	32,748
Other taxes	8,000	8,000	9,254	1,254
Total property taxes	<u>20,418,260</u>	<u>20,413,312</u>	<u>20,410,472</u>	<u>(2,840)</u>
Intergovernmental revenues:				
General government:				
State Highway - Town Aid Road	169,495	169,495	166,567	(2,928)
Tax relief veterans, elderly and disabled	62,300	62,300	67,555	5,255
School bond - principal	341,774	341,774	347,739	5,965
School bond - interest	27,267	27,267	25,719	(1,548)
PILOT State property	20,898	20,898	22,410	1,512
Miscellaneous allotments	35,000	35,000	85,035	50,035
Emergency Management Grant	4,100	4,100	4,100	-
Local Capital Improvement Program	89,231	89,231	90,170	939
Casino funds	24,750	24,750	25,733	983
Senior Transportation Grant	31,354	31,354	31,354	-
PILOT - Goodspeed Opera House	25,000	25,000	25,427	427
Education:				
Education Cost Sharing/Special				
Education Grant	3,718,223	3,718,223	3,187,690	(530,533)
Transportation	112,550	112,550	76,863	(35,687)
Adult Education	4,995	4,995	5,025	30
Total intergovernmental revenues	<u>4,666,937</u>	<u>4,666,937</u>	<u>4,161,387</u>	<u>(505,550)</u>
Investment and interest income:				
Investment income	<u>160,000</u>	<u>160,000</u>	<u>90,283</u>	<u>(69,717)</u>
Local revenue:				
Police special duty	22,493	22,493	12,877	(9,616)
Sanitation/Transfer Station	91,250	91,250	73,402	(17,848)
Rents	13,000	13,000	14,744	1,744
Conveyance tax	100,000	100,000	73,188	(26,812)
Preservation revenue	8,100	8,100	5,526	(2,574)
Surcharge PA05-228 revenue	108,000	108,000	73,680	(34,320)
Animal Control	200	200	780	580

(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, 2011

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Local revenue (continued):				
Assessor fees	\$ 500	\$ 500	\$ 709	\$ 209
Zoning Board of Appeals	2,500	2,500	1,500	(1,000)
Historic District permits	300	300	250	(50)
Telecommunications	20,000	20,000	28,300	8,300
Land Use Offices permit fees	25,000	25,000	29,977	4,977
Building Department	100,000	100,000	97,443	(2,557)
Town Clerk licenses	21,000	21,000	25,781	4,781
Town Clerk fees	85,000	85,000	99,472	14,472
Economic Development Commission	3,700	3,700	2,930	(770)
Fire permits	200	200	90	(110)
Other	15,278	20,226	54,918	34,692
Total local revenue	<u>616,521</u>	<u>621,469</u>	<u>595,567</u>	<u>(25,902)</u>
Other:				
Ray School Corporation	213,864	213,864	213,859	(5)
Helon Cone Trust	14,199	14,199	18,081	3,882
Total other	<u>228,063</u>	<u>228,063</u>	<u>231,940</u>	<u>3,877</u>
Total revenues	<u>26,089,781</u>	<u>26,089,781</u>	<u>25,489,649</u>	<u>(600,132)</u>
Other financing sources:				
Transfers from other funds:				
Albert E. Purple Fund	288,430	288,430	288,430	-
Reserve for Capital Projects	1,000,000	1,000,000	1,000,000	-
Recreation	40,000	40,000	40,000	-
Palmer Fund	38,000	38,000	38,263	263
Total other financing sources	<u>1,366,430</u>	<u>1,366,430</u>	<u>1,366,693</u>	<u>263</u>
Total Revenues and Other Financing Sources	\$ <u>27,456,211</u>	\$ <u>27,456,211</u>	26,856,342	\$ <u>(599,869)</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.

1,388,563

State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes.

537,684

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

\$ 28,782,589

## 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, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Government:				
Selectmen	\$ 124,000	\$ 124,000	\$ 126,765	\$ (2,765)
Town Clerk	226,299	226,299	197,934	28,365
Probate Court	3,958	3,958	5,389	(1,431)
Board of Finance	148,977	148,977	148,200	777
Elections and registrars	39,353	39,353	39,531	(178)
Town Office Building	90,356	90,356	88,557	1,799
Assessor	86,149	86,149	79,470	6,679
Board of Assessment Appeals	1,325	1,325	1,474	(149)
Tax Collector	100,360	100,360	102,394	(2,034)
Treasurer	16,191	16,191	16,191	-
Legal Services	69,700	69,700	98,453	(28,753)
Historic District Commission	1,425	1,425	2,559	(1,134)
Town Hall maintenance	2,575	2,575	2,939	(364)
MS Conversion Committee	5,025	5,025	1,254	3,771
Insurance	153,735	153,735	153,218	517
Zoning Board of Appeals	5,140	5,140	7,358	(2,218)
Planning and Zoning/Land Use Office	166,562	166,562	158,744	7,818
Technology	86,860	86,860	91,210	(4,350)
Fringe Benefits	640,527	640,527	614,463	26,064
Conservation Commission	2,893	2,893	2,041	852
River House/Annex Maintenance	8,800	8,800	8,519	281
Economic Development Commission	29,110	29,110	28,038	1,072
Open Space Committee	15,400	15,400	18,307	(2,907)
Grange Hall	6,700	6,700	7,077	(377)
Millington School House maintenance	500	500	564	(64)
Old Middle School	77,830	77,830	63,388	14,442
Total general government	<u>2,109,750</u>	<u>2,109,750</u>	<u>2,064,037</u>	<u>45,713</u>
Public safety:				
Fire Department	218,685	218,685	226,689	(8,004)
Fire Marshal	23,048	23,048	19,080	3,968
Police officers	139,228	139,228	145,081	(5,853)
Resident troopers	192,790	192,790	190,699	2,091
Emergency management	61,223	61,223	60,400	823
Animal Control	25,651	38,102	33,477	4,625
Building Department	111,752	111,752	112,842	(1,090)
Total public safety	<u>772,377</u>	<u>784,828</u>	<u>788,268</u>	<u>(3,440)</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, 2011

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Public works:				
General highways	\$ 939,497	\$ 939,497	\$ 938,664	\$ 833
Snow removal	201,078	201,078	215,087	(14,009)
Transfer Station	543,190	543,190	535,172	8,018
Town garage maintenance	50,512	50,512	51,486	(974)
Total public works	<u>1,734,277</u>	<u>1,734,277</u>	<u>1,740,409</u>	<u>(6,132)</u>
Health and welfare:				
Health District	72,318	72,318	72,473	(155)
Cemeteries	5,000	5,000	4,995	5
Senior Services	101,000	101,000	85,060	15,940
Human Services	3,320	3,320	3,320	-
Youth and Family Services	140,040	140,040	140,040	-
Total health and welfare	<u>321,678</u>	<u>321,678</u>	<u>305,888</u>	<u>15,790</u>
Recreation and leisure:				
Greens maintenance	6,900	6,900	5,501	1,399
Recreation Commission	74,090	74,090	81,891	(7,801)
Public Libraries	175,272	178,495	178,495	-
Lakes Association	10,075	10,075	3,825	6,250
Total recreation and leisure	<u>266,337</u>	<u>269,560</u>	<u>269,712</u>	<u>(152)</u>
Board of Education	<u>18,050,681</u>	<u>18,050,681</u>	<u>17,417,613</u>	<u>633,068</u>
Other:				
Contingency Fund	<u>90,000</u>	<u>49,326</u>		<u>49,326</u>
Debt service	<u>2,347,281</u>	<u>2,347,281</u>	<u>2,181,385</u>	<u>165,896</u>
Capital improvements:				
Current	1,402,330	1,427,330	635,931	791,399
Carryovers:				
General government		80,108	45,585	34,523
Fire Department		1,647	1,647	-
Health and Welfare		2,315	505	1,810
Emergency Maintenance		2,250		2,250
General highways		250,896	70,795	180,101
Police Officers		5,100	5,100	-
Transfer Station/Sanitation		7,972	7,830	142
Education		393,689	254,814	138,875
Recreation		2,289	2,069	220
Total capital improvements	<u>1,402,330</u>	<u>2,173,596</u>	<u>1,024,276</u>	<u>1,149,320</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Total expenditures	\$ 27,094,711	\$ 27,840,977	\$ 25,791,588	\$ 2,049,389
Other financing uses:				
Transfers to other funds:				
Special Revenue Funds	26,500	26,500	26,500	-
Maintenance Fund	50,000	50,000	50,000	-
Reserve for Capital Project Activities	260,000	260,000	285,304	(25,304)
Cafeteria Fund	25,000	25,000	25,000	-
Total other financing uses	<u>361,500</u>	<u>361,500</u>	<u>386,804</u>	<u>(25,304)</u>
Total Budgetary Expenditures and Other Financing Uses	\$ <u>27,456,211</u>	\$ <u>28,202,477</u>	26,178,392	\$ <u>2,024,085</u>
Budgetary expenditures are different than GAAP expenditures because:				
Maintenance Fund expenditures			(11,187)	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.			1,388,563	
Payroll accrual adjustment - payroll budgeted on a cash basis.			11,820	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes.			<u>537,684</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>28,105,272</u>	

## TOWN OF EAST HADDAM, CONNECTICUT

## GENERAL FUND

## COMPARATIVE BALANCE SHEET

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,877,178	\$ 4,695,281
Due from other governments	430,935	929,049
Property taxes receivable (net of allowance for uncollected taxes)	304,653	257,069
Other accounts receivable	144,184	301,520
Due from other funds	<u>1,351,107</u>	<u>2,138,781</u>
Total Assets	<u>\$ 8,108,057</u>	<u>\$ 8,321,700</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,421,998	\$ 872,723
Due to other funds	122,219	1,266,491
Deferred revenues	682,980	978,943
Total liabilities	<u>2,227,197</u>	<u>3,118,157</u>
Fund balance:		
Committed	11,187	
Assigned	1,964,988	801,439
Unassigned	<u>3,904,685</u>	<u>4,402,104</u>
Total fund balance	<u>5,880,860</u>	<u>5,203,543</u>
Total Liabilities and Fund Balance	<u>\$ 8,108,057</u>	<u>\$ 8,321,700</u>

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND  
REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2011

Grand List	Uncollected Taxes July 1, 2010	Current Year Levy	Assessor's Additions	Assessor's Deductions	Transfers to Suspense	Refunds	Adjusted Taxes Collectible	Collections			Uncollected Taxes July 1, 2011
								Taxes	Interest Liens and Other Fees	Total	
2009	\$	\$ 20,353,262	\$ 31,972	\$ 48,735	\$ 6,424	\$ 4,495	\$ 20,334,570	\$ 20,138,793	\$ 81,491	\$ 20,220,284	\$ 195,777
2008		177,157	336	6,552	3,869	3,153	170,225	99,401	23,242	122,643	70,824
2007		68,041	332	4,166	3,448	1,241	62,000	23,483	10,956	34,439	38,517
2006		22,855		241	3,290	241	19,565	2,464	1,541	4,005	17,101
2005		10,538		247	4,229	247	6,309	1,563	1,266	2,829	4,746
2004		2,460			2,460					-	-
2003		2,656			1,985		671	671	526	1,197	-
	\$	<u>283,707</u>	<u>32,640</u>	<u>59,941</u>	<u>25,705</u>	<u>9,377</u>	<u>20,593,340</u>	20,266,375	119,022	20,385,397	<u>326,965</u>
								Suspense collections:			
									23	2	25
									460	109	569
									157	68	225
									143	81	224
									487	371	858
									739	711	1,450
									598	700	1,298
									414	525	939
									473	704	1,177
									284	455	739
								Total	<u>\$ 20,270,153</u>	<u>\$ 122,748</u>	<u>\$ 20,392,901</u>

TOWN OF EAST HADDAM, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

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	\$ 13,616	\$ 11,137	\$	\$	\$	\$	\$
Investments							
Due from other governments							
Accounts receivable	6,029						
Due from other funds				45,201		24,710	3,437
Inventory							
Total Assets	<u>\$ 19,645</u>	<u>\$ 11,137</u>	<u>\$ -</u>	<u>\$ 45,201</u>	<u>\$ -</u>	<u>\$ 24,710</u>	<u>\$ 3,437</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$	\$	\$	\$ 8,650	\$	\$	\$ 2
Due to other funds	1,723						
Deferred revenue				20,083			
Total liabilities	<u>1,723</u>	<u>-</u>	<u>-</u>	<u>28,733</u>	<u>-</u>	<u>-</u>	<u>2</u>
Fund Balances:							
Nonspendable							
Restricted	17,922	11,137				24,710	
Committed				16,468			3,435
Unassigned							
Total fund balance	<u>17,922</u>	<u>11,137</u>	<u>-</u>	<u>16,468</u>	<u>-</u>	<u>24,710</u>	<u>3,435</u>
Total Liabilities and Fund Balances	<u>\$ 19,645</u>	<u>\$ 11,137</u>	<u>\$ -</u>	<u>\$ 45,201</u>	<u>\$ -</u>	<u>\$ 24,710</u>	<u>\$ 3,437</u>

(Continued on next page)

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

**JUNE 30, 2011**

	<b>Special Revenue Funds</b>						<b>Capital Project</b>
	<b>Educational Grants</b>	<b>School Cafeteria</b>	<b>Food Bank</b>	<b>Green Committee</b>	<b>Transfer Station</b>	<b>Forestry Management</b>	<b>Bridge Construction</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 110,498	\$ 17,995	\$	\$	\$ 9,173	\$	\$
Investments							
Due from other governments	1,257	13,295					
Accounts receivable							
Due from other funds				580		518	
Inventory		2,245					
Total Assets	\$ 111,755	\$ 33,535	\$ -	\$ 580	\$ 9,173	\$ 518	\$ -
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 9,056	\$ 23,433	\$	\$	\$ 9,173	\$	\$ 47,991
Due to other funds							206,133
Deferred revenue	102,699						
Total liabilities	111,755	23,433	-	-	9,173	-	254,124
Fund Balances:							
Nonspendable		2,245					
Restricted				580		518	
Committed		7,857					
Unassigned							(254,124)
Total fund balance	-	10,102	-	580	-	518	(254,124)
Total Liabilities and Fund Balances	\$ 111,755	\$ 33,535	\$ -	\$ 580	\$ 9,173	\$ 518	\$ -

(Continued on next page)

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

**JUNE 30, 2011**

	<u>Capital Project Funds</u>			<u>Permanent Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Capital Grants</b>	<b>Middle School Conversion</b>	<b>William Palmer</b>	<b>Town School</b>	<b>Cemetery</b>	<b>Trust Scholarship Fund</b>	
<b>ASSETS</b>							
Cash and cash equivalents	\$	\$	\$ 31,770	\$	\$	\$	\$ 194,189
Investments			693,296		193,790	9,243	896,329
Due from other governments	147,075						161,627
Accounts receivable							6,029
Due from other funds		45,520			2,253		122,219
Inventory							2,245
<b>Total Assets</b>	<b>\$ 147,075</b>	<b>\$ 45,520</b>	<b>\$ 725,066</b>	<b>\$ -</b>	<b>\$ 196,043</b>	<b>\$ 9,243</b>	<b>\$ 1,382,638</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 3,924	\$	\$	\$	\$	\$	\$ 102,229
Due to other funds	143,151						351,007
Deferred revenue							122,782
<b>Total liabilities</b>	<b>147,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,018</b>
Fund Balances:							
Nonspendable					35,587	4,206	42,038
Restricted			725,066		160,456	5,037	945,426
Committed		45,520					73,280
Unassigned							(254,124)
<b>Total fund balance</b>	<b>-</b>	<b>45,520</b>	<b>725,066</b>	<b>-</b>	<b>196,043</b>	<b>9,243</b>	<b>806,620</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 147,075</b>	<b>\$ 45,520</b>	<b>\$ 725,066</b>	<b>\$ -</b>	<b>\$ 196,043</b>	<b>\$ 9,243</b>	<b>\$ 1,382,638</b>

## TOWN OF EAST HADDAM, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue Funds</u>						
	<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	\$	\$	\$	\$ 3,000
Charges for sales and services	135,111			91,786			
Income on investments	848	19					
Other							
Donations and gifts		1,789				9,137	
Total revenues	<u>135,959</u>	<u>1,808</u>	<u>19,000</u>	<u>91,786</u>	<u>-</u>	<u>9,137</u>	<u>3,000</u>
Expenditures:							
Current:							
General government							8,282
Public works	153,222		19,000				
Health and welfare							
Recreation and leisure			5,630	110,318			
Education							
Capital outlay					2,982		
Total expenditures	<u>153,222</u>	<u>-</u>	<u>24,630</u>	<u>110,318</u>	<u>2,982</u>	<u>-</u>	<u>8,282</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(17,263)</u>	<u>1,808</u>	<u>(5,630)</u>	<u>(18,532)</u>	<u>(2,982)</u>	<u>9,137</u>	<u>(5,282)</u>
Other Financing Sources (Uses):							
Transfers in				25,000			
Transfers out				(40,000)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(17,263)	1,808	(5,630)	(33,532)	(2,982)	9,137	(5,282)
Fund Balances at Beginning of Year	<u>35,185</u>	<u>9,329</u>	<u>5,630</u>	<u>50,000</u>	<u>2,982</u>	<u>15,573</u>	<u>8,717</u>
Fund Balances at End 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>

(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, 2011**

	<u>Special Revenue Funds</u>						<u>Capital Project</u>
	<u>Educational Grants</u>	<u>School Cafeteria</u>	<u>Food Bank</u>	<u>Green Committee</u>	<u>Transfer Station</u>	<u>Forestry Management</u>	<u>Bridge Construction</u>
Revenues:							
Intergovernmental revenues	\$ 1,039,318	\$ 84,668	\$	\$	\$	\$ 300	\$
Charges for sales and services		264,769					
Income on investments							
Other	313,316			85			
Donations and gifts							
Total revenues	<u>1,352,634</u>	<u>349,437</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>300</u>	<u>-</u>
Expenditures:							
Current:							
General government							
Public works							
Health and welfare			722				
Recreation and leisure						1,282	
Education	1,352,634	385,273					
Capital outlay							29,630
Total expenditures	<u>1,352,634</u>	<u>385,273</u>	<u>722</u>	<u>-</u>	<u>-</u>	<u>1,282</u>	<u>29,630</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(35,836)</u>	<u>(722)</u>	<u>85</u>	<u>-</u>	<u>(982)</u>	<u>(29,630)</u>
Other Financing Sources (Uses):							
Transfers in		25,000				1,500	
Transfers out							
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Net Change in Fund Balances	-	(10,836)	(722)	85	-	518	(29,630)
Fund Balances at Beginning of Year	<u>-</u>	<u>20,938</u>	<u>722</u>	<u>495</u>	<u>-</u>	<u>-</u>	<u>(224,494)</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 10,102</u>	<u>\$ -</u>	<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 518</u>	<u>\$ (254,124)</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, 2011**

	<u>Capital Project Funds</u>			<u>Permanent Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<u>Capital Grants</u>	<u>Middle School Conversion</u>	<u>William Palmer</u>	<u>Town School</u>	<u>Cemetery</u>	<u>Trust Scholarship Fund</u>	
Revenues:							
Intergovernmental revenues	\$ 208,762						\$ 1,355,048
Charges for sales and services							491,666
Income on investments			83,142		21,217	77	105,303
Other					302		313,703
Donations and gifts							10,926
Total revenues	<u>208,762</u>	<u>-</u>	<u>83,142</u>	<u>-</u>	<u>21,519</u>	<u>77</u>	<u>2,276,646</u>
Expenditures:							
Current:							
General government							8,282
Public works	208,762						380,984
Health and welfare			10,602		3,656		14,980
Recreation and leisure							117,230
Education						100	1,738,007
Capital outlay		36,627					69,239
Total expenditures	<u>208,762</u>	<u>36,627</u>	<u>10,602</u>	<u>-</u>	<u>3,656</u>	<u>100</u>	<u>2,328,722</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(36,627)</u>	<u>72,540</u>	<u>-</u>	<u>17,863</u>	<u>(23)</u>	<u>(52,076)</u>
Other Financing Sources (Uses):							
Transfers in							51,500
Transfers out			(38,263)	(589)			(78,852)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(38,263)</u>	<u>(589)</u>	<u>-</u>	<u>-</u>	<u>(27,352)</u>
Net Change in Fund Balances	-	(36,627)	34,277	(589)	17,863	(23)	(79,428)
Fund Balances at Beginning of Year	<u>-</u>	<u>82,147</u>	<u>690,789</u>	<u>589</u>	<u>178,180</u>	<u>9,266</u>	<u>886,048</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 45,520</u>	<u>\$ 725,066</u>	<u>\$ -</u>	<u>\$ 196,043</u>	<u>\$ 9,243</u>	<u>\$ 806,620</u>

## TOWN OF EAST HADDAM, CONNECTICUT

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

## FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Student Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ <u>164,351</u>	\$ <u>399,370</u>	\$ <u>411,135</u>	\$ <u>152,586</u>
Liabilities:				
Due to student groups	\$ <u>164,351</u>	\$ <u>399,370</u>	\$ <u>411,135</u>	\$ <u>152,586</u>
<b>Performance Bonds</b>				
Assets:				
Cash and cash equivalents	\$ <u>-</u>	\$ <u>75,373</u>	\$ <u>-</u>	\$ <u>75,373</u>
Liabilities:				
Due to contractors and others	\$ <u>-</u>	\$ <u>75,373</u>	\$ <u>-</u>	\$ <u>75,373</u>
<b>Driveway Bonds</b>				
Assets:				
Cash and cash equivalents	\$ <u>96,398</u>	\$ <u>7,500</u>	\$ <u>5,750</u>	\$ <u>98,148</u>
Liabilities:				
Due to contractors and others	\$ <u>96,398</u>	\$ <u>7,500</u>	\$ <u>5,750</u>	\$ <u>98,148</u>
<b>Total</b>				
Assets:				
Cash and cash equivalents	\$ <u>260,749</u>	\$ <u>482,243</u>	\$ <u>416,885</u>	\$ <u>326,107</u>
Liabilities:				
Due to student groups, contractors and others	\$ <u>260,749</u>	\$ <u>482,243</u>	\$ <u>416,885</u>	\$ <u>326,107</u>

## TOWN OF EAST HADDAM, CONNECTICUT

## STATEMENT OF DEBT LIMITATION

JUNE 30, 2011

(in Thousands)

Total tax collections (including interest and lien fees) received by  
Treasurer for year ended June 30, 2011 \$ 20,393

	<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	\$ 45,884	\$	\$	\$	\$
4-1/2 times base		91,769			
3-3/4 times base			76,474		
3-1/4 times base				66,277	
3 times base					61,179
Total debt limitation	<u>45,884</u>	<u>91,769</u>	<u>76,474</u>	<u>66,277</u>	<u>61,179</u>
Indebtedness:					
Bonds payable	2,131	17,224	411		
Bonds authorized - unissued	2,811	541	15		
Building grants receivable		(331)			
Total indebtedness	<u>4,942</u>	<u>17,434</u>	<u>426</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 40,942</u>	<u>\$ 74,335</u>	<u>\$ 76,048</u>	<u>\$ 66,277</u>	<u>\$ 61,179</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$142,751).

TOWN OF EAST HADDAM, CONNECTICUT

BOND PAYMENT SCHEDULE

JUNE 30, 2011

Fiscal Year	August 11, 2010 Bonds		May 15, 2008 Bonds		May 1, 2003 Refunded Bonds		August 15, 1998 Bonds		Clean Water Loan		Gross Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$	\$ 163,706	\$ 625,000	\$ 591,282	\$ 250,000	\$ 17,570	\$ 260,000	\$ 11,960	\$ 82,178	\$ 7,807	\$ 1,217,178	\$ 792,325
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
	\$	\$ 3,825,000	\$ 14,775,000	\$ 5,621,737	\$ 495,000	\$ 26,390	\$ 260,000	\$ 11,960	\$ 410,883	\$ 22,599	\$ 19,765,883	\$ 7,019,545

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