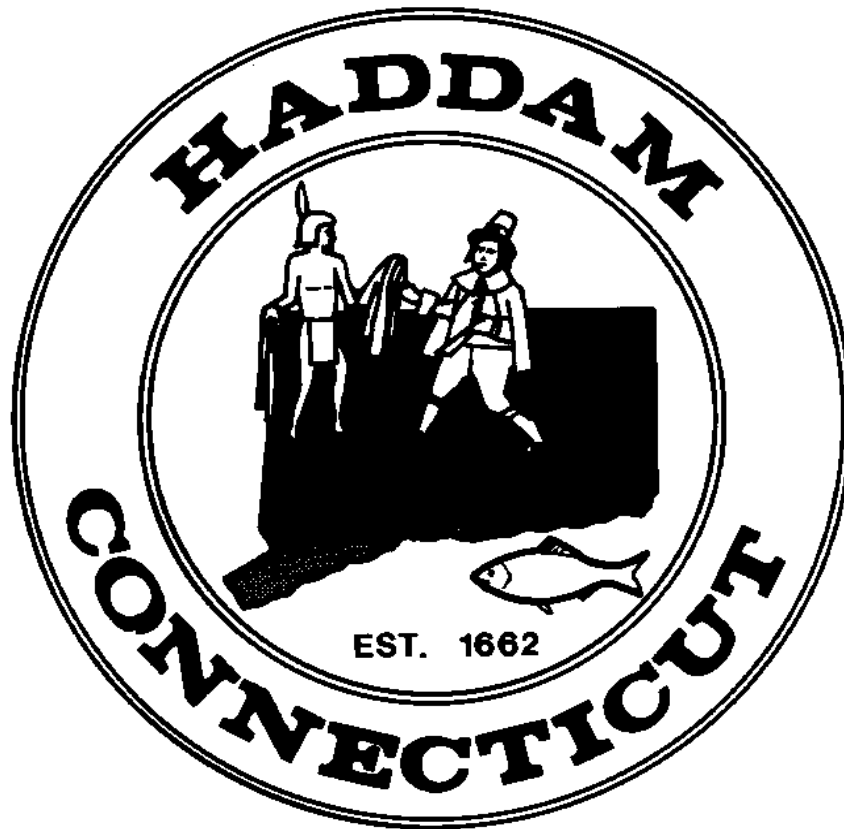


TOWN OF HADDAM, CONNECTICUT



Annual Financial Report

**For The Year Ended
June 30, 2016**

TOWN OF HADDAM, CONNECTICUT
ANNUAL FINANCIAL REPORT
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Independent Auditors' Report



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Haddam, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Haddam, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of June 30, 2016 and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 4 to the financial statements, during the fiscal year ended June 30, 2016, the Town adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the pension schedules on pages 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The trend information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the Town of Haddam, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haddam, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 19, 2016

Management's Discussion and Analysis



Management's Discussion and Analysis For the Year Ended June 30, 2016

As management of the Town of Haddam, we offer readers of the Town's financial statements this overview and analysis of the financial activities of the Town of Haddam for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$27,209,248 (*net position*). Of this amount, \$7,998,063 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$780,446. This was due substantially to the activity of the Road Fund resulting in a decrease of \$218,797 and an increase in the net pension liability of \$323,832.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,701,475 an increase of \$437,753 in comparison with the prior year. This increase is substantially due to positive operating results of the General Fund of \$535,430 and the Capital and Nonrecurring Fund of \$112,737 offset by the decrease in the Road Fund of \$(218,797).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,673,377 which represents 15.2% percent of total General Fund expenditures and transfers out.
- Long-term liabilities increased by a net of \$106,831 due to the increase in the net pension liability offset by scheduled principal payments of \$187,897.

Overview of the Basic Financial Statements

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

Government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information for the Town as whole and attempt to present information in a way that helps answer this question. These statements are presented using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

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

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

Fund financial statements. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by State law and others by grants agreements or Board of Finance action. However, the Town establishes many other funds to help it maintain control and manage resources that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

For governmental funds information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Nonrecurring Fund and the Road Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in Exhibits B-1 and B-2 in this report.

The Town adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds. The Town is the trustee, or fiduciary, for its employees' and volunteer firefighters' pension plans. It is also responsible for other assets that the Town has custody of, but belong to others. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position (Exhibits VI and VII). We exclude these activities 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the Town's pension funds as required by GASB 67 and GASB 68.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in Exhibits B-1 and B-2 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's combined net position decreased from \$27,989,694 to \$27,209,248.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SUMMARY STATEMENT OF NET POSITION JUNE 30, 2016

	2016	2015
Current and other assets	\$ 10,155,839	\$ 10,298,596
Capital assets, net	21,544,632	21,824,259
Total assets	<u>31,700,471</u>	<u>32,122,855</u>
Deferred outflows of resources	<u>743,533</u>	<u>509,989</u>
Long-term liabilities	4,228,772	4,121,941
Other liabilities	876,471	432,190
Total liabilities	<u>5,105,243</u>	<u>4,554,131</u>
Deferred inflows of resources	<u>129,513</u>	<u>89,019</u>
Net investment in capital assets	19,108,187	19,196,389
Restricted	102,998	72,824
Unrestricted	<u>7,998,063</u>	<u>8,720,481</u>
Total Net Position	<u>\$ 27,209,248</u>	<u>\$ 27,989,694</u>

A portion of the Town's net position (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities decreased the Town's net position by \$780,446 as presented in the Statement of Changes in Net Position below:

CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 422,763	\$ 485,753
Operating grants and contributions	1,999,234	1,907,610
Capital grants and contributions	331,649	826,991
General revenues:		
Property taxes	27,636,712	27,769,110
Grants and contributions not restricted to specific programs	93,786	147,991
Unrestricted investment earnings	51,349	30,738
Other general revenues	200	161,748
Total revenues	<u>30,535,693</u>	<u>31,329,941</u>
Expenses:		
General government	2,596,996	2,829,354
Public safety	1,149,444	1,167,256
Public works	3,087,324	2,989,389
Health and welfare	399,354	304,083
Miscellaneous organizations/recreation	556,546	573,294
Education	23,465,940	22,376,890
Interest on long-term debt	60,535	67,998
Total expenses	<u>31,316,139</u>	<u>30,308,264</u>
Change in net position	(780,446)	1,021,677
Net Position at Beginning of Year	<u>27,989,694</u>	<u>26,968,017</u>
Net Position at End of Year	<u>\$ 27,209,248</u>	<u>\$ 27,989,694</u>

Key elements of this decrease are as follows:

- Capital grants and contributions decreased by \$495,342 due to donation of the Dish Mill bridge reconstructed by the State to the Town in the prior year totaling \$500,000.
- General government expenses decreased by \$232,358 due to saving realized from lower fuel consumption for Public Buildings and decrease spending for Central Services and the spending of state grants in the prior year.
- Education expenses increased by \$1,089,050 due to the increase in the school budget and the percentage of the Regional School District No. 17's budget that is allocated to the Town of Haddam. The allocation is based upon enrollment.
- Public works expenses increased by \$97,935 due to the Town's road maintenance program.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,701,475. The Town's components of fund balance are as follows: 1) Nonspendable for loans under the federal Small Cities program (\$66,112), 2) restricted for grants (\$102,998), committed for capital projects, the road reconstruction and special revenue activities (\$3,054,851), assigned for subsequent years budget (\$128,000) and debt service (\$676,137) and unassigned of (\$4,673,377).

The total fund balance increased by \$437,753, which is due to the positive operating results of the General Fund of \$535,430, the Capital Nonrecurring Fund of \$112,737, offset by the Road Fund of \$(218,797).

The General Fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,673,377. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 15.2% of total General Fund expenditures and transfers out.

Capital Nonrecurring Fund. This fund accounts for the Town's annual budget appropriation that is the funding for the Town's ten-year capital plan. The ten-year capital plan includes funding for purchases and items that are reserved for specific approved projects. Currently there are approximately 90 separate projects, with many projects funded over multiple years. The Capital Projects fund's revenues and transfers exceeded its expenditures by \$112,737 due to the amount of the current year funding being greater than the amount expended for active projects. This is due to the multi-year funding of large items like fire trucks and other heavy equipment. The purchases are made once the funding has been completed. Total fund balance totaled \$1,501,844.

General Fund Budgetary Highlights

The most significant budgetary items were the General Government operations that were realized from economies set in place during the year.

Key factors related to the positive operations of the General Fund were as follows:

Revenue factors

- Tax revenue collections exceeded estimates by \$183,144
- Charges for services exceeded the budget by \$20,788 mainly due to license and permits and recording fees.

Expenditure factors

- Unused contingency balance totaled \$54,800.
- The Fire Protection budget was under spent by \$33,388.
- Public Works had unused funds in the amount of \$32,957 due to the mild winter conditions.

There were no additional appropriations during the year.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets totaled \$21,544,632 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, vehicles, machinery and equipment, sewer lines, roads, bridges, sidewalks and system storm drains. The net decrease in the Town's investment in capital assets for the current fiscal year was \$279,627. This decrease is largely due to depreciation expense in excess of capital asset additions. The Town's capitalization policy is that only those assets with a cost \$5,000 or more with a useful life exceeding one year are capitalized.

Major capital asset events during the current fiscal year included the following:

- Construction in progress activity was for continued road reconstruction projects.
- There were machinery and equipment additions totaling \$268,015. This includes both new equipment and the purchase of new vehicles as approved in the capital budget.

CAPITAL ASSETS - NET

	<u>2016</u>	<u>2015</u>
Land	\$ 934,383	\$ 934,383
Construction in progress	1,026,811	765,375
Land improvements	3,811,493	3,912,124
Buildings and improvements	3,482,918	3,630,302
Machinery and equipment	848,449	709,962
Infrastructure	10,247,837	10,468,611
Motor vehicles	<u>1,192,741</u>	<u>1,403,502</u>
Total	<u>\$ 21,544,632</u>	<u>\$ 21,824,259</u>

Additional information on the Town's capital assets can be found in Note 5.

Long-term liabilities. At the end of the current fiscal year, the Town had total debt outstanding of \$2,380,000. All debt is backed by the full faith and credit of the Town.

LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Bonds payable	\$ 2,380,000	\$ 2,520,000
Capital leases	<u> </u>	<u>47,897</u>
Total	<u>\$ 2,380,000</u>	<u>\$ 2,567,897</u>

The Town's long-term debt decrease during the year by \$187,897 due to scheduled debt service payments.

The Town has a bond rating from Moody's of Aa3.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$200,296,383, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for October 2016 for the Town is currently 2.9%, which is a decrease from a rate of 2.7% a year ago. The Town's rate is favorable as compared to the State rate of 5.1% and comparable to the Hartford Labor Market rate of 4.5%.
- The Town continues to be under fiscal pressure to control tax increases. While the general government portion of the budget has remained flat, Haddam's portion of the regional education budget has increase due to the continued shift in enrollment. The Town also has identified improvements that need to be made to it infrastructure (road and bridges) and the possible future development of water and sewer systems.
- Bond authorization for \$6,480,000 was approved by Town Meeting on July 28, 2016 to address the identified roads and bridge improvements.

All of these factors were considered in preparing the Town's budget for the 2017 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chairman, Board of Finance, Town of Haddam, 30 Field Park Drive, Haddam, CT 06438.

Basic Financial Statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Assets:	
Cash and cash equivalents	\$ 9,442,770
Investments	24,963
Receivables:	
Property taxes, net of allowance for uncollectibles of \$700,000	463,632
Interest on property taxes, net of allowance for uncollectibles of \$1,000,000	137,610
Other	86,864
Capital assets:	
Nondepreciable	1,961,194
Depreciable, net	19,583,438
Total assets	<u>31,700,471</u>
Deferred Outflows of Resources:	
Differences in expected and actual pension experience	89,573
Changes in pension actuarial assumptions	136,111
Changes in projected pension investment earnings	517,849
Total deferred outflows of resources	<u>743,533</u>
Liabilities:	
Accounts payable	808,981
Accrued salaries and benefits payable	462
Unearned revenue	67,028
Noncurrent liabilities:	
Due within one year	158,318
Due in more than one year	4,070,454
Total liabilities	<u>5,105,243</u>
Deferred Inflows of Resources:	
Differences in expected and actual pension experience	94,825
Differences in pension actuarial assumptions	34,688
Total deferred inflows of resources	<u>129,513</u>
Net Position:	
Net investment in capital assets	19,108,187
Restricted for:	
General government	34,184
Health and welfare	68,814
Unrestricted	7,998,063
Total Net Position	<u>\$ 27,209,248</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,596,996	\$ 382,779	\$ 43,927	\$	\$ (2,170,290)
Public safety	1,149,444	37,034	26,993		(1,085,417)
Public works	3,087,324	2,950	3,276	331,649	(2,749,449)
Health and welfare	399,354				(399,354)
Culture and recreation	556,546				(556,546)
Education	23,465,940		1,925,038		(21,540,902)
Interest expense	60,535				(60,535)
Total	<u>\$ 31,316,139</u>	<u>\$ 422,763</u>	<u>\$ 1,999,234</u>	<u>\$ 331,649</u>	<u>(28,562,493)</u>
General revenues:					
Property taxes, levied for general purposes					27,636,712
Grants and contributions not restricted to specific programs					93,786
Unrestricted investment earnings					51,349
Miscellaneous					200
Total general revenues					<u>27,782,047</u>
Change in Net Position					(780,446)
Net Position at Beginning of Year					<u>27,989,694</u>
Net Position at End of Year					<u>\$ 27,209,248</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 9,016,672	\$ 98,832	\$	\$ 327,266	\$ 9,442,770
Investments				24,963	24,963
Receivables:					
Property taxes, net of allowance for uncollectibles of \$700,000	463,632				463,632
Other	1,324			85,540	86,864
Due from other funds	5,104	1,403,012	1,368,033	816,216	3,592,365
	<u>5,104</u>	<u>1,403,012</u>	<u>1,368,033</u>	<u>816,216</u>	<u>3,592,365</u>
Total Assets	<u>\$ 9,486,732</u>	<u>\$ 1,501,844</u>	<u>\$ 1,368,033</u>	<u>\$ 1,253,985</u>	<u>\$ 13,610,594</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 634,000	\$	\$ 151,632	\$	\$ 785,632
Accrued salaries and benefits payable	462				462
Unearned revenue				67,028	67,028
Due to other funds	3,587,261			5,104	3,592,365
Total liabilities	<u>4,221,723</u>	<u>-</u>	<u>151,632</u>	<u>72,132</u>	<u>4,445,487</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	463,632				463,632
	<u>463,632</u>	<u></u>	<u></u>	<u></u>	<u>463,632</u>
Fund balances:					
Nonspendable				66,112	66,112
Restricted				102,998	102,998
Committed		1,501,844	1,216,401	336,606	3,054,851
Assigned	128,000			676,137	804,137
Unassigned	4,673,377				4,673,377
Total fund balances	<u>4,801,377</u>	<u>1,501,844</u>	<u>1,216,401</u>	<u>1,181,853</u>	<u>8,701,475</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,486,732</u>	<u>\$ 1,501,844</u>	<u>\$ 1,368,033</u>	<u>\$ 1,253,985</u>	<u>\$ 13,610,594</u>

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I)
are different because of the following:

Total fund balances for governmental funds (Exhibit III)	\$ 8,701,475
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Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Capital assets	\$ 66,118,718	
Less accumulated depreciation and amortization	<u>(44,574,086)</u>	
Total capital assets, net		21,544,632

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

Property tax receivables	463,632
Deferred outflows related to differences in expected and actual pension experience	89,573
Deferred outflows related to changes in pension actuarial assumptions	136,111
Deferred outflows related to changes in projected pension investment earnings	517,849

Accrued interest on property taxes, net, is not susceptible to accrual and, therefore,
is not reported in the governmental funds.

137,610

Long-term liabilities applicable to the Town's governmental activities are
not due and payable in the current period and, accordingly, are not reported
in the funds:

Bonds payable	(2,380,000)
Unamortized bond premium	(56,445)
Compensated absences	(36,132)
Net pension liability	(1,505,490)
Deferred inflows related to differences in expected and actual pension experience	(94,825)
Deferred inflows related to changes in pension actuarial assumptions	(34,688)
Interest payable on bonds	(23,349)
Landfill closure and post closure costs	<u>(250,705)</u>

Net Position (Exhibit I)	\$ <u>27,209,248</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Capital Nonrecurring Fund	Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes, interest and lien fees	\$ 28,685,674	\$	\$	\$	\$ 28,685,674
Intergovernmental	2,134,441		246,301	22,081	2,402,823
Charges for services	413,788			9,175	422,963
Income from investments	36,906	10		14,433	51,349
Total revenues	<u>31,270,809</u>	<u>10</u>	<u>246,301</u>	<u>45,689</u>	<u>31,562,809</u>
Expenditures:					
Current:					
General government	2,334,129			37,272	2,371,401
Public safety	880,787				880,787
Public works	1,823,843			34	1,823,877
Health and welfare	399,354				399,354
Culture and recreation	529,841				529,841
Education	23,465,940				23,465,940
Debt service:					
Principal and interest payments	254,285				254,285
Capital outlay		434,473	965,098		1,399,571
Total expenditures	<u>29,688,179</u>	<u>434,473</u>	<u>965,098</u>	<u>37,306</u>	<u>31,125,056</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,582,630</u>	<u>(434,463)</u>	<u>(718,797)</u>	<u>8,383</u>	<u>437,753</u>
Other Financing Sources (Uses):					
Transfers in		547,200	500,000		1,047,200
Transfers out	(1,047,200)				(1,047,200)
Total other financing sources (uses)	<u>(1,047,200)</u>	<u>547,200</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	535,430	112,737	(218,797)	8,383	437,753
Fund Balances at Beginning of Year	<u>4,265,947</u>	<u>1,389,107</u>	<u>1,435,198</u>	<u>1,173,470</u>	<u>8,263,722</u>
Fund Balances at End of Year	<u>\$ 4,801,377</u>	<u>\$ 1,501,844</u>	<u>\$ 1,216,401</u>	<u>\$ 1,181,853</u>	<u>\$ 8,701,475</u>

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

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 of the following:

Net change in fund balances for governmental funds (Exhibit IV)	\$ 437,753
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which depreciation exceeded capital outlays in the current period is as follows:

Capital outlay	\$ 667,120	
Depreciation expense	(944,583)	
Net adjustment		(277,463)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Change in compensated absences	16,291
Change in landfill closure and post-closure costs	9,285
Change in net pension liability	(323,832)
Change in deferred inflows related to differences in expected and actual pension experience	(5,806)
Change in deferred inflows related to changes in actuarial assumptions	(34,688)

In the statement of activities, only the loss on the sale of capital assets is reported whereas the proceeds from the sale increase financial resources in the governmental funds.	(2,164)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in interest receivable	(575,451)
Change in deferred outflows related to differences in expected and actual pension experience	23,857
Change in deferred outflows related to changes in projected investment earnings	(55,118)
Change in deferred outflows related to changes in actuarial assumptions	264,805

Certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are reported as unearned revenues in the governmental funds.

Change in unearned revenue	(451,665)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Amortization of bond premiums	3,528
Accrued interest	2,325
Principal repayments on bonds	140,000
Principal repayments on capital leases	47,897

Change in Net Position of Governmental Activities	\$ (780,446)
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The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes, interest and lien fees	\$ 28,414,661	\$ 28,414,661	\$ 28,685,674	\$ 271,013
Intergovernmental	2,118,915	2,118,915	2,134,441	15,526
Charges for services	393,000	393,000	413,788	20,788
Interest income	22,000	22,000	36,906	14,906
Total revenues	<u>30,948,576</u>	<u>30,948,576</u>	<u>31,270,809</u>	<u>322,233</u>
Expenditures:				
Current:				
General government	2,490,923	2,445,723	2,334,129	111,594
Public safety	883,607	928,807	880,787	48,020
Public works	1,952,300	1,856,800	1,823,843	32,957
Health and welfare	410,981	410,981	399,354	11,627
Culture and recreation	538,839	538,839	529,841	8,998
Education	23,465,940	23,465,940	23,465,940	-
Debt service	254,286	254,286	254,285	1
Total expenditures	<u>29,996,876</u>	<u>29,901,376</u>	<u>29,688,179</u>	<u>213,197</u>
Excess of revenues over expenditures	951,700	1,047,200	1,582,630	535,430
Other financing uses:				
Transfers out	<u>(951,700)</u>	<u>(1,047,200)</u>	<u>(1,047,200)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	535,430	\$ <u>535,430</u>
Fund Balance at Beginning of Year			<u>4,265,947</u>	
Fund Balance at End of Year			\$ <u>4,801,377</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Pension Trust Funds	Agency Funds
	<hr/>	<hr/>
Assets:		
Cash and cash equivalents	\$	\$ 259,662
Investments:		
Mutual funds	<hr/> 5,754,043	<hr/>
Total assets	<hr/> 5,754,043	<hr/> \$ 259,662
Liabilities:		
Due to others	<hr/>	<hr/> \$ 259,662
Total liabilities	<hr/> -	<hr/> \$ 259,662
Net Position:		
Net Position Restricted for Pensions and Other Benefits	<hr/> \$ 5,754,043	

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pension Trust Funds</u>
Additions:	
Employer contributions	\$ <u>317,486</u>
Deductions:	
Benefit payments	262,788
Investment income (loss):	
Changes in fair value	<u>35,536</u>
Total deductions	<u>298,324</u>
Change in Net Position	19,162
Net Position at Beginning of Year	<u>5,734,881</u>
Net Position at End of Year	\$ <u><u>5,754,043</u></u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Haddam, Connecticut, was incorporated in 1668. The Town operates under the Board of Selectmen, Town Meeting and Board of Finance form of government and provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning and zoning, and general administrative services to its residents. The Town is a member of Regional School District No. 17 (the District) along with the Town of Killingworth. The District provides education for grades K-12.

The basic financial statements of the Town include only the funds of the Town, as no component units exist based on operational or financial relationships with the Town.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental 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. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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. Only property taxes collected during the year are recorded as revenues. The Town considers reimbursement grant revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to landfill closure and postclosure and claims and judgments, are recorded only when payment is due.

Grants and contracts, and interest associated with the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the Town.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town reports the following major governmental funds:

General Fund

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

Capital Nonrecurring Fund

This fund is to account for the projects approved as part of the Town's five-year capital plan.

Road Fund

This fund is to account for the construction and maintenance of Town roads.

In addition, the Town reports the following fiduciary fund types:

Pension Trust Funds

These funds are used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plans. The Town utilizes these funds to account for activities of the following plans: The Town of Haddam Retirement Plan and the Town of Haddam Volunteer Firefighters' Merit Service Retirement Plan.

Agency Funds

These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets held for performance bonds. This fund accounts for monies received to ensure that driveways, lawns and roads are installed to correct specifications for new home construction.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

Investments 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for building improvements and \$20,000 for infrastructure, and an estimated useful life of at least five years. 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 a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	50
Buildings and improvements	40 - 75
Machinery and equipment	5 - 25
Motor vehicles	5 - 15
Infrastructure	30 - 50

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions for changes in assumptions, net difference between projected and actual earnings of the pension plan investments and differences in expected and actual pension experience. The deferred outflow related to the change in assumptions and deferred outflows related to differences in expected and actual pension experience will be amortized over the average remaining service life of all plan members. The deferred outflow for the net difference between projected and actual earnings of the pension plan investments will be amortized over a five year period.

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

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Net Pension Liability

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

J. Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

Net position is restricted because a restriction is 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.

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

This represents amounts constrained for a specific purpose 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 Haddam Board of Finance).

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose 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 fund balance deficit, it is reported as a negative amount in unassigned fund balance.

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.

The Town Boards shall propose budgets that provide for an unassigned general fund balance of not less than five (5) percent or more than ten (10) percent of the total operating general fund expenditures.

K. Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1.

Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest and lien fees of \$700,000 and \$1,000,000, respectively, as of June 30, 2016.

Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30.

Property tax revenues are recognized when they become available. Available means due or past due and received in the current period. Property taxes receivable outstanding as of the end of the fiscal year are reflected in unavailable revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent year's assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

L. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- At the annual Town Meeting in May, at which taxpayer comments are obtained, the proposed operating budget for the fiscal year commencing July 1 is presented. The operating budget, which is prepared by fund, function and department, includes proposed expenditures and the means of financing them.
- Prior to July 1, the budget is legally enacted at a Town Meeting.
- The Board of Selectmen is authorized to transfer budgeted amounts within departments. Transfers of budgeted amounts between departments must be approved by the Board of Finance. The Board of Finance can approve additional appropriations for a department provided such additional appropriations do not exceed \$20,000, or is a second request. Appropriations in excess of \$20,000 must be submitted to a Town Meeting for approval. Management of the Town is not authorized to transfer budgeted amounts or to approve additional appropriations. There were no additional appropriations made during the year.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

- The Regional School District is responsible for the administration of the Board of Education budget.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting.
- The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.

3. CASH AND CASH EQUIVALENTS

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

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

A. 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$8,142,503 of the Town’s bank balance of \$9,671,190 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,253,253
Uninsured and collateralized with securities held by the pledging bank’s trust department or agent but not in the Town’s name	<u>889,250</u>
	<u><u>\$ 8,142,503</u></u>

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.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

B. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2016, the Town had \$8,228,778 in highly liquid money market accounts.

4. INVESTMENTS

As of June 30, 2016, the Town's investments consisted of the following:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificate of Deposit	*	\$ 24,963	\$ <u>24,963</u>	\$ <u>-</u>	\$ <u>-</u>
Other investments:					
Mutual Funds	N/A	<u>5,754,043</u>			
Total Investments		\$ <u>5,779,006</u>			

N/A - Not Applicable

* Subject to coverage by Federal Depository Insurance and Collateralization

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2016:

	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Equity Securities				
Mutual Funds	\$ 5,754,043	\$ <u>5,754,043</u>	\$ <u>-</u>	\$ <u>-</u>
Investments not recorded at fair value:				
Certificate of Deposit	<u>24,963</u>			
Total Investments	\$ <u>5,779,006</u>			

Mutual Funds

Mutual funds are valued using Level 1 inputs, which consist of the quoted price of shares held at year end.

Interest Rate Risk

The Town does not have a formal investment policy that limits Town or Pension Trust Fund investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut State Statutes. Connecticut State Statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The Pension Trust Funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, 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's investments are not exposed to custodial credit risk at June 30, 2016. The Town does not have a policy for custodial credit risk.

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. More than 5% of the Pension Trust Fund investments are in mutual funds, but are not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 934,383	\$	\$	\$	\$ 934,383
Construction in progress	<u>765,375</u>	<u>399,105</u>	<u>2,164</u>	<u>(135,505)</u>	<u>1,026,811</u>
Total capital assets not being depreciated	<u>1,699,758</u>	<u>399,105</u>	<u>2,164</u>	<u>(135,505)</u>	<u>1,961,194</u>
Capital assets being depreciated:					
Land improvements	4,279,961				4,279,961
Buildings and improvements	5,984,439				5,984,439
Machinery and equipment	2,401,976	268,015			2,669,991
Infrastructure	47,253,333			135,505	47,388,838
Motor vehicles	<u>3,841,295</u>		<u>7,000</u>		<u>3,834,295</u>
Total capital assets being depreciated	<u>63,761,004</u>	<u>268,015</u>	<u>7,000</u>	<u>135,505</u>	<u>64,157,524</u>
Less accumulated depreciation for:					
Land improvements	367,837	100,631			468,468
Buildings and improvements	2,354,137	147,384			2,501,521
Machinery and equipment	1,692,014	129,528			1,821,542
Infrastructure	36,784,722	356,279			37,141,001
Motor vehicles	<u>2,437,793</u>	<u>210,761</u>	<u>7,000</u>		<u>2,641,554</u>
Total accumulated depreciation	<u>43,636,503</u>	<u>944,583</u>	<u>7,000</u>		<u>44,574,086</u>
Total capital assets being depreciated, net	<u>20,124,501</u>	<u>(676,568)</u>	<u>-</u>	<u>135,505</u>	<u>19,583,438</u>
Capital Assets, Net	<u>\$ 21,824,259</u>	<u>\$ (277,463)</u>	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ 21,544,632</u>

Depreciation expense was charged to functions of the Town as follows:

General government	\$ 103,288
Public safety	239,796
Public works	591,237
Culture and recreation	<u>10,262</u>
Total Depreciation Expense	<u>\$ 944,583</u>

Construction Commitments

The Town has no active construction projects as of June 30, 2016.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2016 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
Roads Fund	General Fund	\$ 1,368,033
Capital Nonrecurring Fund	General Fund	1,403,012
Nonmajor Funds	General Fund	816,216
General Fund	Nonmajor Funds	<u>5,104</u>
Total		\$ <u>3,592,365</u>

The above balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental funds:		
Capital Nonrecurring Fund	General Fund	\$ 547,200
Roads Fund	General Fund	<u>500,000</u>
Total		\$ <u>1,047,200</u>

Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond payable:					
Bonds payable	\$ 2,520,000	\$	\$ 140,000	\$ 2,380,000	\$ 140,000
Bond premium	59,973		3,528	56,445	
Total bonds payable	2,579,973		143,528	2,436,445	140,000
Capital leases	47,897		47,897		
Net pension liability	1,181,658	586,620	262,788	1,505,490	
Landfill post-closure costs	259,990		9,285	250,705	9,285
Compensated absences	52,423	36,132	52,423	36,132	9,033
Long-Term Liabilities	<u>\$ 4,121,941</u>	<u>\$ 622,752</u>	<u>\$ 515,921</u>	<u>\$ 4,228,772</u>	<u>\$ 158,318</u>

The above liabilities will be liquidated by General Fund appropriations.

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. General obligation bonds currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Outstanding June 30, 2016</u>
Bonds Payable:					
General Bonds	8/30/2012	\$ 2,800,000	2.0-3.0%	8/15/2032	\$ 2,380,000

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 140,000	\$ 64,365	\$ 204,365
2017	140,000	60,165	200,165
2018	140,000	55,965	195,965
2019	140,000	51,765	191,765
2020	140,000	47,565	187,565
2021-2025	700,000	177,625	877,625
2026-2030	700,000	97,318	797,318
2031-2033	280,000	15,050	295,050
	<u>\$ 2,380,000</u>	<u>\$ 569,818</u>	<u>\$ 2,949,818</u>

B. Debt Limitations

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$200,296,383 as of June 30, 2016. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2016.

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 64,380,980	\$ 2,380,000	\$ 62,000,980
Schools	128,761,961	5,702,599	123,059,362
Sewers	107,301,634		107,301,634
Urban renewal	92,994,749		92,994,749
Pension deficit	85,841,307		85,841,307

C. Regional School District Commitments

The Town is a member of Regional School District No. 17, which provides education facilities for grades kindergarten through twelve for the towns of Haddam and Killingworth. As of June 30, 2016, the outstanding bonded indebtedness of the District was \$9,695,000. The Town of Haddam's share will be 58.82% of the outstanding indebtedness, or \$5,702,599. These are general obligations of Regional School District No. 17 and its member towns. However, the Town is not required to record its share in its financial statements.

D. Landfill Post-Closure Care Costs

State and federal laws and regulations require landfill closures to meet certain standards. The Town has completed the final capping of the landfill as of June 30, 2013. Estimated monitoring costs for the next 27 years at \$9,285 per year are \$250,705. These amounts are based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

E. Other

In the course of Town operations, there may be occurrences in which miscellaneous long-term obligations are incurred. These liabilities are recorded when an obligation can be reasonably estimated and has a reasonable probability of becoming due and payable.

8. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Loans receivable	\$ _____	\$ _____	\$ _____	\$ 66,112	\$ 66,112
Restricted:					
Grants	_____	_____	_____	102,998	102,998
Committed:					
General government				139,993	139,993
Public works				17,571	17,571
Capital projects		1,501,844	1,216,401	140,079	2,858,324
Open space				38,963	38,963
Debt service	_____	_____	_____	_____	-
Total committed	_____	<u>1,501,844</u>	<u>1,216,401</u>	<u>336,606</u>	<u>3,054,851</u>
Assigned to:					
Subsequent year's budget	128,000				128,000
Debt service	_____	_____	_____	676,137	676,137
Total assigned	<u>128,000</u>	_____	_____	<u>676,137</u>	<u>804,137</u>
Unassigned	<u>4,673,377</u>	_____	_____	_____	<u>4,673,377</u>
Total Fund Balances	\$ <u>4,801,377</u>	\$ <u>1,501,844</u>	\$ <u>1,216,401</u>	\$ <u>1,181,853</u>	\$ <u>8,701,475</u>

9. PENSION PLANS

A. Plan Administration

Plan Descriptions

The Town maintains two single-employer defined benefit pension plans: The Town of Haddam Retirement Plan (the Town Employees' Pension Plan) and the Town of Haddam Volunteer Firefighters' Merit Service Retirement Plan (the Volunteer Firefighters' Pension Plan) (collectively the Plans). Benefit provisions of the Plans are established and can be amended by the Board of Selectmen. The Plans do not issue stand-alone financial statements and are part of the Town's financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Benefit Provisions

Town Employees' Pension Plan

Each employee of the Town who is scheduled to work at least 30 hours per week for 12 months of the year is eligible to participate in the plan. The plan provides retirement benefits as well as death and disability benefits. Participants are 100% vested after seven years. Annual retirement benefits for plan participants are 2% of an employees' final average compensation multiplied by the number of years of credited service, up to a maximum of 30 years.

Volunteer Firefighters' Pension Plan

Each volunteer firefighter whose name is on the roster of the Haddam Volunteer Fire Company and the Haddam Neck Volunteer Fire Department as of the effective date of the plan is eligible to participate in the Volunteer Firefighters' Pension Plan, following one year of credited service. This plan does not provide disability benefits. Under the provisions of the plan, the Town must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements. Benefits and contributions are established by the Town. The State of Connecticut Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town.

Plan Membership

Membership of the plans consisted of the following at the date of the latest actuarial valuations:

	Town Plan	Firefighters' Plan
Retirees and beneficiaries currently receiving benefits	16	28
Vested terminated plan members	7	36
Active plan members	24	72
	<u>47</u>	<u>136</u>

Contributions

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen. The Town is required to annually contribute an actuarially determined amount to fund benefits.

For the year ended June 30, 2016, employer contributions to the Town Employees' Pension Plan represented 20.38% of covered payroll. Employer contributions for the Firefighters' Plan were an actuarial determined amount of \$96,615 for the year ended June 30, 2016.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Investments

Investment Policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) for both plans are summarized in the following table:

The following was the Trustees' adopted asset allocation policy and long-term expected real rate of return for both plans as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighting
Domestic equity	38%	5.00%	7.75%
International equity	18%	5.00%	7.75%
Fixed income	40%	1.75%	4.50%
Real estate and alternatives	4%	4.00%	6.75%
General account	0%	0.25%	3.00%
Total	100%		

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Town Employees' Pension Plan and the Volunteer Firefighters' Pension Plan was -0.56% and -0.73%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contributions

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

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 for the Volunteer Firefighters' Merit Service Retirement Plan and January 1, 2016 for the Employees' Pension Plan.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The components of the net pension liability of the Town at June 30, 2016 were as follows:

	Town Plan	Firefighters' Plan
Total pension liability	\$ 5,307,228	\$ 1,952,305
Plan fiduciary net position	<u>4,301,980</u>	<u>1,452,063</u>
Net Pension Liability	<u>\$ 1,005,248</u>	<u>\$ 500,242</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.06%</u>	<u>74.38%</u>

Actuarial Assumptions

The total town pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00% compounded annually
Investment rate of return	6.50%, compounded annually

The total firefighters' pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	6.50%, compounded annually

Mortality rates were based on the RP-2000 non-annuitant mortality tables projected using Scale AA, 15 years for males (setback 2 years) and 25 years for females (setback 1 year).

The actuarial assumptions used in the July 1, 2015 valuation for the firefighters' plan and in the January 1, 2016 valuation for the employees' plan are based on the mortality tables used for the Connecticut state employees' retirement system.

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Changes in the Net Pension Liability

Town of Haddam Employees' Pension Plan			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 4,982,498	\$ 4,229,618	\$ 752,880
Changes for the year:			
Service cost	167,624		167,624
Interest on total pension liability	318,674		318,674
Differences between expected and actual experience	44,324		44,324
Changes in assumptions	(46,251)		(46,251)
Employer contributions		256,564	(256,564)
Net investment income (loss)		(24,561)	24,561
Benefit payments, including refund to employee contributions	(159,641)	(159,641)	-
Net changes	324,730	72,362	252,368
Balances as of June 30, 2016	\$ 5,307,228	\$ 4,301,980	\$ 1,005,248

Town of Haddam Volunteer Firefighters' Merit Service Retirement Plan			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 1,934,041	\$ 1,505,263	\$ 428,778
Changes for the year:			
Service cost	39,598		39,598
Interest on total pension liability	122,360		122,360
Differences between expected and actual experience	(40,547)		(40,547)
Changes in assumptions			-
Employer contributions		60,922	(60,922)
Net investment income (loss)		(10,975)	10,975
Benefit payments, including refund to employee contributions	(103,147)	(103,147)	-
Net changes	18,264	(53,200)	71,464
Balances as of June 30, 2016	\$ 1,952,305	\$ 1,452,063	\$ 500,242

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town Employees' Plan	\$ 1,519,088	\$ 1,005,248	\$ 554,678
Firefighters' Plan	723,153	500,242	309,153

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

For the year ended June 30, 2016, the Town recognized pension expense of \$448,272. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

		Town Plan	
		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	33,243	\$ 59,346
Changes of assumptions		97,302	34,688
Net difference between projected and actual earning on pension plan investments		<u>381,485</u>	<u></u>
Total	\$	<u><u>512,030</u></u>	<u><u>\$ 94,034</u></u>

		Firefighters' Plan	
		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	56,330	\$ 35,479
Changes of assumptions		38,809	
Net difference between projected and actual earning on pension plan investments		<u>136,364</u>	<u></u>
Total	\$	<u><u>231,503</u></u>	<u><u>\$ 35,479</u></u>

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

Year Ending June 30,

2017	\$	174,561
2018		174,561
2019		155,584
2020		92,805
2021		10,788
Thereafter		<u>5,721</u>
Total	\$	<u><u>614,020</u></u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Combining Statement of Net Position

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Pension Plan	Total
ASSETS			
Investments, at Fair Value	\$ 4,301,980	\$ 1,452,063	\$ 5,754,043
NET POSITION			
Net Position Restricted for Pensions and Other Benefits	\$ 4,301,980	\$ 1,452,063	\$ 5,754,043

Combining Statement of Changes in Plan Net Position

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Pension Plan	Total
Additions:			
Employer contributions	\$ 256,564	\$ 60,922	\$ 317,486
Deductions:			
Benefit payments	159,641	103,147	262,788
Investment income (loss):			
Changes in fair value	24,561	10,975	35,536
Total deductions	184,202	114,122	298,324
Change in Net Position	72,362	(53,200)	19,162
Net Position at Beginning of Year	4,229,618	1,505,263	5,734,881
Net Position at End of Year	\$ 4,301,980	\$ 1,452,063	\$ 5,754,043

10. COMMITMENTS AND CONTINGENCIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by legal counsel to be likely to result in a judgment or judgments that would materially affect the Town's financial position.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowance, if any, will not be material.

11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. Neither the Town nor its insurers have settled any claims that exceeded the Town's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

The Town is also a member in Regional School District No. 17's medical health insurance fund, a public entity risk pool established for the purpose of administering medical benefits for each participating entity in the fund. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$75,000 for each insured occurrence. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining; it is not possible to estimate the amount of such additional assessments.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

12. SUBSEQUENT EVENT

On August 24, 2016, the Town issued \$2,700,000 in general obligation temporary notes with an interest rate of 0.89% and a maturity of May 25, 2017.

Required Supplementary Information

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TOWN EMPLOYEES' PENSION PLAN
LAST THREE FISCAL YEARS*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 168,836	\$ 168,836	\$ 167,624
Interest	285,670	315,305	318,674
Differences between expected and actual experience	111,968	(118,691)	44,324
Changes of assumptions		194,605	(46,251)
Benefit payments, including refunds of member contributions	<u>(125,095)</u>	<u>(163,836)</u>	<u>(159,641)</u>
Net change in total pension liability	441,379	396,219	324,730
Total pension liability - beginning	<u>4,144,900</u>	<u>4,586,279</u>	<u>4,982,498</u>
Total pension liability - ending	<u>4,586,279</u>	<u>4,982,498</u>	<u>5,307,228</u>
Plan fiduciary net position:			
Contributions - employer	227,608	240,000	256,564
Net investment income	523,998	57,117	(24,561)
Benefit payments, including refunds of member contributions	(125,095)	(163,836)	(159,641)
Other	<u>11,243</u>		
Net change in plan fiduciary net position	637,754	133,281	72,362
Plan fiduciary net position - beginning	<u>3,458,583</u>	<u>4,096,337</u>	<u>4,229,618</u>
Plan fiduciary net position - ending	<u>4,096,337</u>	<u>4,229,618</u>	<u>4,301,980</u>
Net Pension Liability - Ending	<u>\$ 489,942</u>	<u>\$ 752,880</u>	<u>\$ 1,005,248</u>
Plan fiduciary net position as a percentage of the total pension liability	89.32%	84.89%	81.06%
Covered-employee payroll	\$ 1,096,743	\$ 989,549	\$ 845,364
Net pension liability as a percentage of covered-employee payroll	44.67%	76.08%	118.91%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 34,543	\$ 35,108	\$ 39,598
Interest	111,006	119,279	122,360
Differences between expected and actual experience	(17,856)	75,106	(40,547)
Changes of assumptions	89,800	51,745	
Benefit payments, including refunds of member contributions	<u>(96,232)</u>	<u>(102,370)</u>	<u>(103,147)</u>
Net change in total pension liability	121,261	178,868	18,264
Total pension liability - beginning	<u>1,633,912</u>	<u>1,755,173</u>	<u>1,934,041</u>
Total pension liability - ending	<u>1,755,173</u>	<u>1,934,041</u>	<u>1,952,305</u>
Plan fiduciary net position:			
Contributions - employer	82,646	83,000	60,922
Net investment income	196,428	20,591	(10,975)
Benefit payments, including refunds of member contributions	<u>(96,232)</u>	<u>(102,370)</u>	<u>(103,147)</u>
Net change in plan fiduciary net position	182,842	1,221	(53,200)
Plan fiduciary net position - beginning	<u>1,321,200</u>	<u>1,504,042</u>	<u>1,505,263</u>
Plan fiduciary net position - ending	<u>1,504,042</u>	<u>1,505,263</u>	<u>1,452,063</u>
Net Pension Liability - Ending	<u>\$ 251,131</u>	<u>\$ 428,778</u>	<u>\$ 500,242</u>
Plan fiduciary net position as a percentage of the total pension liability	85.69%	77.83%	74.38%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

N/A - Not applicable. Plan members are volunteers

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TOWN EMPLOYEE'S PENSION PLAN
LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 190,042	\$ 235,001	\$ 186,591	\$ 295,860	\$ 294,688	\$ 262,526	\$ 227,608	\$ 233,178	\$ 256,565	\$ 255,222
Contributions in relation to the actuarially determined contribution	<u>90,000</u>	<u>125,000</u>	<u>420,834</u>	<u>312,000</u>	<u>187,000</u>	<u>294,688</u>	<u>262,526</u>	<u>227,608</u>	<u>240,000</u>	<u>256,564</u>
Contribution Deficiency (Excess)	<u>\$ 100,042</u>	<u>\$ 110,001</u>	<u>\$ (234,243)</u>	<u>\$ (16,140)</u>	<u>\$ 107,688</u>	<u>\$ (32,162)</u>	<u>\$ (34,918)</u>	<u>\$ 5,570</u>	<u>\$ 16,565</u>	<u>\$ (1,342)</u>
Covered-employee payroll	\$ 956,373	\$ 1,062,823	\$ 1,036,824	\$ 1,021,432	\$ 1,131,163	\$ 1,150,309	\$ 1,012,849	\$ 1,001,353	\$ 1,096,743	\$ 1,258,691
Contributions as a percentage of covered-employee payroll	9.41%	11.76%	40.59%	30.55%	16.53%	25.62%	25.92%	22.73%	21.88%	20.38%

Notes to Schedule

Valuation date: January 1, 2016
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of January 1, a half year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Level percentage of payroll, closed
Remaining amortization period 6.5 years
Asset valuation method Contract value for unallocated contracts and market value for pooled separate accounts
Inflation 3.0%
Salary increases Annual compensation is assumed to increase 4% per annum compounded annually
Investment rate of return 6.50% per annum compounded annually
Retirement age Normal retirement is age 65 and 5 years of participation
Early retirement is age 55 and 7 years of service
Mortality RP-2000 non-annuitant mortality tables projected using Scale AA, 15 years for males (setback 2 years) and 25 years for females (setback 1 year)

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	\$ 54,958	\$ 65,649	\$ 100,909	\$ 101,037	\$ 82,657	\$ 77,239	\$ 73,893	\$ 56,936	\$ 60,922	\$ 96,615
Contributions in relation to the actuarially determined contribution		75,000	59,080	75,000	75,000	108,110	92,000	82,646	83,000	60,922
Contribution Deficiency (Excess)	\$ 54,958	\$ (9,351)	\$ 41,829	\$ 26,037	\$ 7,657	\$ (30,871)	\$ (18,107)	\$ (25,710)	\$ (22,078)	\$ 35,693
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2015
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Normal cost
Remaining amortization period 10 years
Asset valuation method Contract value for unallocated contracts and market value for pooled separate accounts
Inflation 3.0%
Salary increases N/A
Investment rate of return 6.50% per annum compounded annually
Retirement age Normal retirement is age 65 and 5 years of participation
Early retirement is age 55 and 10 years of service
Mortality RP-2000 non-annuitant mortality tables projected using Scale AA, 15 years for males (setback 2 years) and 25 years for females (setback 1 year).

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST THREE FISCAL YEARS***

	2014	2015	2016
Annual money-weighted rate of return, net of investment expense:			
Town Employees' Pension Plan	13.72%	1.38%	-0.56%
Volunteer Firefighters' Pension Plan	15.05%	1.37%	-0.73%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

Combining and Individual Fund Statements and Schedules

General Fund

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
Taxes, Interest and Lien Fees:				
General property taxes	\$ 28,361,661	\$ 28,361,661	\$ 28,544,805	\$ 183,144
Elderly tax abatement	(95,000)	(95,000)		95,000
Interest and lien fees	125,000	125,000	119,023	(5,977)
Telecommunications property tax grant	23,000	23,000	21,846	(1,154)
Total taxes, interest and lien fees	<u>28,414,661</u>	<u>28,414,661</u>	<u>28,685,674</u>	<u>271,013</u>
Intergovernmental:				
Education cost-sharing	1,879,334	1,879,334	1,925,038	45,704
Tax relief for elderly	48,000	48,000	40,475	(7,525)
Veterans' exemption	6,200	6,200	5,678	(522)
Mashantucket Pequot grant	23,789	23,789	25,437	1,648
Local capital improvement grant	73,867	73,867	76,499	2,632
PILOT, State-owned real property	67,225	67,225	22,196	(45,029)
Miscellaneous state and federal	20,500	20,500	39,118	18,618
Total intergovernmental	<u>2,118,915</u>	<u>2,118,915</u>	<u>2,134,441</u>	<u>15,526</u>
Charges for Services:				
Licenses and permits	240,000	240,000	244,502	4,502
Recording fees	60,000	60,000	90,159	30,159
Miscellaneous	73,000	73,000	75,405	2,405
Land use state fees			242	242
Town clerk state fees	20,000	20,000	3,480	(16,520)
Total charges for services	<u>393,000</u>	<u>393,000</u>	<u>413,788</u>	<u>20,788</u>
Interest Income	<u>22,000</u>	<u>22,000</u>	<u>36,906</u>	<u>14,906</u>
Total Revenues	<u>\$ 30,948,576</u>	<u>\$ 30,948,576</u>	<u>\$ 31,270,809</u>	<u>\$ 322,233</u>

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
General Government:				
Selectman's office	\$ 190,455	\$ 194,155	\$ 194,111	\$ 44
Finance department	133,404	117,404	117,276	128
Probate court	2,661	2,661	2,661	-
Elections	51,030	67,730	67,682	48
Board of finance	43,827	43,947	43,945	2
Assessor	116,396	117,116	117,107	9
Board of assessment appeals	310	310	150	160
Tax collector's office	91,186	58,186	52,546	5,640
Treasurer's office	14,135	17,260	17,259	1
Town counsel	41,000	70,700	67,237	3,463
Town clerk	104,813	104,988	104,986	2
Public buildings	253,336	232,455	206,094	26,361
Planning and zoning	7,602	7,602	7,352	250
Zoning board of appeals	90	90	90	-
Engineering department	50,000	52,721	52,721	-
Wetlands	100	100	55	45
Central services	169,500	169,500	151,064	18,436
Insurance and other benefits	959,686	972,606	972,604	2
Economic development	300	300		300
Land use offices	159,592	159,592	158,634	958
Conservation	1,500	1,500	555	945
Contingency	100,000	54,800		54,800
Total general government	<u>2,490,923</u>	<u>2,445,723</u>	<u>2,334,129</u>	<u>111,594</u>
Public Safety:				
Fire protection	259,650	259,650	226,262	33,388
Police	328,124	384,097	383,817	280
Animal control	25,080	25,080	17,752	7,328
Emergency management	1,500	1,500		1,500
Fire marshal	19,052	19,052	18,090	962
Dispatch services	142,637	131,864	131,864	-
Building department	107,564	107,564	103,002	4,562
Total public safety	<u>883,607</u>	<u>928,807</u>	<u>880,787</u>	<u>48,020</u>
Public Works:				
General labor	657,500	632,000	618,164	13,836
General maintenance	564,000	494,000	486,716	7,284
Town garage	38,300	38,386	38,385	1
Snow and ice removal	325,000	248,914	237,821	11,093
Fire hydrants	2,000	2,000	2,000	-
Solid waste disposal	305,500	293,165	292,422	743
Tree maintenance	60,000	148,335	148,335	-
Total public works	<u>1,952,300</u>	<u>1,856,800</u>	<u>1,823,843</u>	<u>32,957</u>

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Health and Welfare:				
Senior center	\$ 39,939	\$ 39,939	\$ 36,463	\$ 3,476
Health district	78,591	78,591	78,591	-
Public health	65,664	65,664	65,664	-
Social services	80,000	80,000	80,000	-
Transportation for the elderly	44,287	44,287	38,106	6,181
Water pollution & control	5,000	5,000	3,030	1,970
Haddam volunteer ambulance	97,500	97,500	97,500	-
Total health and welfare	<u>410,981</u>	<u>410,981</u>	<u>399,354</u>	<u>11,627</u>
Culture and Recreation:				
Veterans Museum	500	500	381	119
Parades	1,325	1,325	819	506
Haddam park and recreation commission	62,600	62,600	54,821	7,779
Regional recreational authority	108,321	108,321	108,321	-
Village parks society	3,000	3,000	3,000	-
Brainerd memorial library	350,593	350,593	350,593	-
Haddam river days	5,000	5,000	5,000	-
Haddam historical society	2,500	2,500	2,500	-
Higganum cemetery association	3,000	3,000	3,000	-
Rushford center	500	500		500
Regional mental health board	500	500	406	94
Community health center, inc.	500	500	500	-
Middlesex land trust	500	500	500	-
Total culture and recreation	<u>538,839</u>	<u>538,839</u>	<u>529,841</u>	<u>8,998</u>
Education	<u>23,465,940</u>	<u>23,465,940</u>	<u>23,465,940</u>	<u>-</u>
Debt Service	<u>254,286</u>	<u>254,286</u>	<u>254,285</u>	<u>1</u>
Total Expenditures	29,996,876	29,901,376	29,688,179	213,197
Other Financing Uses:				
Transfer out	<u>951,700</u>	<u>1,047,200</u>	<u>1,047,200</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 30,948,576</u>	<u>\$ 30,948,576</u>	<u>\$ 30,735,379</u>	<u>\$ 213,197</u>

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2016

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Grand List Year	Balance Uncollected July 1, 2015	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2016	
			Additions	Deductions			Taxes	Interest	Lien Fees	Total		
2014	\$	\$ 28,609,796	\$ 23,903	\$ 89,319	\$	\$ 28,544,380	\$ 28,250,410	\$ 71,430	\$ 376	\$ 28,322,216	\$ 293,970	
2013		265,516	1,426	9,278		257,664	140,466	25,931	1,128	167,525	117,198	
2012		109,927	1	224	30,323	79,381	27,997	9,154	325	37,476	51,384	
2011		56,657		130		56,527	14,102	7,085	120	21,307	42,425	
2010		39,204		127		39,077	5,208	2,310	96	7,614	33,869	
2009		29,698		-		29,698	3,407	801	72	4,280	26,291	
2008		21,050	5			21,055	2,337	3	48	2,388	18,718	
2007		10,601				10,601	2,075		48	2,123	8,526	
2006		7,704				7,704	2,004		24	2,028	5,700	
2005		549,870				549,870	2,004		24	2,028	547,866	
2004		4,917	50			4,967	1,963		24	1,987	3,004	
2003		4,662	495			5,157	2,298		24	2,322	2,859	
2002		2,762				2,762				-	2,762	
2001		5,041				5,041				-	5,041	
2000		4,019				4,019				-	4,019	
1999		3,669		3,669		-				-	-	
	\$	<u>1,115,297</u>	\$ <u>28,609,796</u>	\$ <u>25,880</u>	\$ <u>102,747</u>	\$ <u>30,323</u>	\$ <u>29,617,903</u>	\$ <u>28,454,271</u>	\$ <u>116,714</u>	\$ <u>2,309</u>	\$ <u>28,573,294</u>	1,163,632
										Allowance		<u>700,000</u>
											\$	<u>463,632</u>

***Nonmajor
Governmental Funds***

**TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Funds					
	Medical Insurance Reserve Fund	Material Testing	Small Cities Escrow Fund	Grants	Town Clerk	Historic Documents Preservation
ASSETS						
Cash and cash equivalents	\$ 131,572	\$ 17,571	\$ 68,814	\$ 86,784	\$ 6,930	\$ 1,595
Investments						
Loans receivable			85,540			
Due from other funds						
Total Assets	<u>\$ 131,572</u>	<u>\$ 17,571</u>	<u>\$ 154,354</u>	<u>\$ 86,784</u>	<u>\$ 6,930</u>	<u>\$ 1,595</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Unearned revenue	\$	\$	\$ 19,428	\$ 47,600	\$	\$
Due to other funds				5,000	41	63
Total liabilities	<u>-</u>	<u>-</u>	<u>19,428</u>	<u>52,600</u>	<u>41</u>	<u>63</u>
Fund Balances:						
Nonspendable			66,112			
Restricted			68,814	34,184		
Committed	131,572	17,571			6,889	1,532
Assigned						
Total fund balances	<u>131,572</u>	<u>17,571</u>	<u>134,926</u>	<u>34,184</u>	<u>6,889</u>	<u>1,532</u>
Total Liabilities and Fund Balances	<u>\$ 131,572</u>	<u>\$ 17,571</u>	<u>\$ 154,354</u>	<u>\$ 86,784</u>	<u>\$ 6,930</u>	<u>\$ 1,595</u>

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TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

	Debt Service	Capital Projects		
	Debt Service Fund	Open Space Fund	Silver Spring Road Fund	Total
ASSETS				
Cash and cash equivalents	\$	\$ 14,000	\$	\$ 327,266
Investments		24,963		24,963
Loans receivable				85,540
Due from other funds	<u>676,137</u>		<u>140,079</u>	<u>816,216</u>
Total Assets	<u>\$ 676,137</u>	<u>\$ 38,963</u>	<u>\$ 140,079</u>	<u>\$ 1,253,985</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Unearned revenue	\$	\$	\$	\$ 67,028
Due to other funds				5,104
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,132</u>
Fund Balances:				
Nonspendable				66,112
Restricted				102,998
Committed		38,963	140,079	336,606
Assigned	<u>676,137</u>			<u>676,137</u>
Total fund balances	<u>676,137</u>	<u>38,963</u>	<u>140,079</u>	<u>1,181,853</u>
Total Liabilities and Fund Balances	<u>\$ 676,137</u>	<u>\$ 38,963</u>	<u>\$ 140,079</u>	<u>\$ 1,253,985</u>

TOWN OF HADDAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds					
	Medical Insurance Reserve Fund	Material Testing	Small Cities Escrow Fund	Grants	Town Clerk	Historic Documents Preservation
Revenues:						
Intergovernmental	\$	\$	\$	\$ 22,081	\$	\$
Charges for services					2,647	6,528
Interest income	102	18	190	32		
Total revenues	<u>102</u>	<u>18</u>	<u>190</u>	<u>22,113</u>	<u>2,647</u>	<u>6,528</u>
Expenditures:						
Current:						
General government	14	2	3	29,556	48	7,649
Public works		34				
Total expenditures	<u>14</u>	<u>36</u>	<u>3</u>	<u>29,556</u>	<u>48</u>	<u>7,649</u>
Excess (Deficiency) of Revenues over Expenditures	<u>88</u>	<u>(18)</u>	<u>187</u>	<u>(7,443)</u>	<u>2,599</u>	<u>(1,121)</u>
Fund Balances at Beginning of Year	<u>131,484</u>	<u>17,589</u>	<u>134,739</u>	<u>41,627</u>	<u>4,290</u>	<u>2,653</u>
Fund Balances at End of Year	<u>\$ 131,572</u>	<u>\$ 17,571</u>	<u>\$ 134,926</u>	<u>\$ 34,184</u>	<u>\$ 6,889</u>	<u>\$ 1,532</u>

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TOWN OF HADDAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Debt Service</u>	<u>Capital Projects</u>		
	<u>Debt Service Fund</u>	<u>Open Space Fund</u>	<u>Silver Spring Road Fund</u>	<u>Total</u>
Revenues:				
Intergovernmental	\$	\$	\$	\$ 22,081
Charges for services				9,175
Interest income		14,091		14,433
Total revenues	<u>-</u>	<u>14,091</u>	<u>-</u>	<u>45,689</u>
Expenditures:				
Current:				
General government				37,272
Public works				34
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,306</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>14,091</u>	<u>-</u>	<u>8,383</u>
Fund Balances at Beginning of Year	<u>676,137</u>	<u>24,872</u>	<u>140,079</u>	<u>1,173,470</u>
Fund Balances at End of Year	\$ <u><u>676,137</u></u>	\$ <u><u>38,963</u></u>	\$ <u><u>140,079</u></u>	\$ <u><u>1,181,853</u></u>

Fiduciary Funds

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance,</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2016</u>
Performance Bonds				
Assets:				
Cash	\$ <u>255,190</u>	\$ <u>23,904</u>	\$ <u>19,432</u>	\$ <u>259,662</u>
Liabilities:				
Due to others	\$ <u>255,190</u>	\$ <u>23,904</u>	\$ <u>19,432</u>	\$ <u>259,662</u>

***Trend
Information***

TABLE 1

TOWN OF HADDAM, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN YEARS
(UNAUDITED)

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$ 19,108,187	\$ 19,196,389	\$ 19,169,725	\$ 18,323,649	\$ 17,438,822	\$ 16,317,621	\$ 15,755,793	\$ 14,815,567	\$ 15,916,877	\$ 16,107,897
Restricted	102,998	72,824	94,702	82,447	87,060	87,764	48,867			
Unrestricted	7,998,063	8,720,481	8,220,600	8,282,367	7,878,607	6,188,472	5,150,759	5,676,057	5,667,297	5,391,095
Total Net Position	<u>\$ 27,209,248</u>	<u>\$ 27,989,694</u>	<u>\$ 27,485,027</u>	<u>\$ 26,688,463</u>	<u>\$ 25,404,489</u>	<u>\$ 22,593,857</u>	<u>\$ 20,955,419</u>	<u>\$ 20,491,624</u>	<u>\$ 21,584,174</u>	<u>\$ 21,498,992</u>

TABLE 2

TOWN OF HADDAM, CONNECTICUT
CHANGES IN NET POSITION
LAST TEN YEARS
(UNAUDITED)

FISCAL YEAR										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
General government	\$ 2,596,996	\$ 2,829,354	\$ 2,232,172	\$ 2,506,887	\$ 2,472,043	\$ 2,355,631	\$ 2,547,120	\$ 1,929,138	\$ 2,016,661	\$ 2,456,827
Public safety	1,149,444	1,167,256	1,082,302	1,178,583	1,195,176	1,056,072	1,043,980	1,188,301	1,220,469	1,124,589
Public works	3,087,324	2,989,389	2,673,437	2,340,587	1,412,438	2,564,669	3,700,466	4,108,764	3,305,680	3,139,530
Health and welfare	399,354	304,083	297,313	296,389	329,147	352,571	339,877	409,605	391,446	321,106
Culture and recreation	556,546	573,294	572,906	582,330	535,359	540,592	536,160	530,433	552,744	435,690
Education	23,465,940	22,376,890	21,414,632	20,918,591	20,170,062	19,463,675	19,468,254	20,293,804	18,488,983	17,273,280
Interest expense	60,535	67,998	184,219	33,854	9,320	13,031	20,194	34,279	42,260	40,839
Total Expenses	31,316,139	30,308,264	28,456,981	27,857,221	26,123,545	26,346,241	27,656,051	28,494,324	26,018,243	24,791,861
Program Revenues:										
General government	382,779	422,491	423,919	418,171	368,252	319,985	425,926	419,565	599,345	644,743
Public safety	37,034	48,036	41,405	3,616	27,230	19,990	9,118	10,785	12,345	9,058
Public works	2,950	15,226	18,933	2,550	1,700	6,383	2,010	550	1,360	2,090
Culture and recreation								19,004		
Operating grants and contributions	1,999,234	1,907,610	1,842,432	1,905,281	1,923,734	1,483,498	1,550,295	1,762,836	1,677,879	1,271,973
Capital grants and contributions	331,649	826,991	323,388	445,476	930,657	1,028,344	1,817,785	287,594	1,027,392	16,190
Total Program Revenues	2,753,646	3,220,354	2,650,077	2,775,094	3,251,573	2,858,200	3,805,134	2,500,334	3,318,321	1,944,054
Net Expenses	(28,562,493)	(27,087,910)	(25,806,904)	(25,082,127)	(22,871,972)	(23,488,041)	(23,850,917)	(25,993,990)	(22,699,922)	(22,847,807)
General Revenues:										
Property taxes	27,636,712	27,769,110	26,373,612	26,202,674	25,321,337	24,872,125	23,938,914	23,467,854	21,935,162	21,154,404
Grants and contributions not restricted to specific programs	93,786	147,991	136,918	140,529	202,899	216,196	223,728	290,385	375,286	288,371
Investment income	51,349	30,738	21,559	18,235	29,394	36,014	75,386	88,462	313,285	332,208
Miscellaneous	200	161,748	71,379	4,663	128,974	2,144	3,252	1,054,739	161,371	229,774
Total General Revenues	27,782,047	28,109,587	26,603,468	26,366,101	25,682,604	25,126,479	24,241,280	24,901,440	22,785,104	22,004,757
Changes in Net Position	\$ (780,446)	\$ 1,021,677	\$ 796,564	\$ 1,283,974	\$ 2,810,632	\$ 1,638,438	\$ 390,363	\$ (1,092,550)	\$ 85,182	\$ (843,050)

TOWN OF HADDAM, CONNECTICUT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(UNAUDITED)

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General fund:										
Committed	\$	\$	\$	\$	\$	\$	\$	\$ 2,072,947	\$ 1,103,034	\$ 1,017,803
Assigned	128,000									
Unassigned	<u>4,673,377</u>	<u>4,265,947</u>	<u>3,769,261</u>	<u>3,671,221</u>	<u>3,195,092</u>	<u>2,571,591</u>	<u>2,024,803</u>	<u>2,199,680</u>	<u>3,448,083</u>	<u>2,954,729</u>
Total General Fund	<u>4,801,377</u>	<u>4,265,947</u>	<u>3,769,261</u>	<u>3,671,221</u>	<u>3,195,092</u>	<u>2,571,591</u>	<u>2,024,803</u> *	<u>4,272,627</u>	<u>4,551,117</u>	<u>3,972,532</u>
All other governmental funds:										
Nonspendable	66,112	103,542	103,542	103,542	103,542	86,338	96,338	96,338	96,338	126,585
Restricted	102,998	72,824	94,702	82,447	87,060	87,764	48,867			
Committed	3,054,851	3,145,272	2,863,616	2,677,302	3,122,005	3,557,058	2,964,149	915,168	984,022	1,077,536
Assigned	676,137	676,137	495,242	605,907						
Unassigned					(2,372,251)					
Total All Other Governmental Funds	<u>3,900,098</u>	<u>3,997,775</u>	<u>3,557,102</u>	<u>3,469,198</u>	<u>940,356</u>	<u>3,731,160</u>	<u>3,109,354</u>	<u>1,011,506</u>	<u>1,080,360</u>	<u>1,204,121</u>
Grand Total	<u>\$ 8,701,475</u>	<u>\$ 8,263,722</u>	<u>\$ 7,326,363</u>	<u>\$ 7,140,419</u>	<u>\$ 4,135,448</u>	<u>\$ 6,302,751</u>	<u>\$ 5,134,157</u>	<u>\$ 5,284,133</u>	<u>\$ 5,631,477</u>	<u>\$ 5,176,653</u>

* Amount reflects reduction of \$1,180,198 reclassified to the Capital Nonrecurring fund as of July 1, 2009

TABLE 4

TOWN OF HADDAM, CONNECTICUT
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN YEARS
(UNAUDITED)

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Property taxes	\$ 28,685,674	\$ 27,718,031	\$ 26,605,805	\$ 26,074,511	\$ 25,282,077	\$ 24,955,511	\$ 23,772,257	\$ 23,260,475	\$ 22,035,328	\$ 21,436,229
Intergovernmental	2,402,823	2,360,087	2,350,169	2,321,156	2,659,811	2,124,657	1,944,228	2,340,816	2,463,880	1,576,533
Charges for services	422,963	479,529	472,122	429,002	449,408	348,485	440,306	453,993	763,427	680,073
Income from investments	51,349	30,738	21,559	18,235	29,394	35,752	75,124	88,462	313,285	332,208
Other		14,076	16,583		8,377	52,131	1,250	1,050,649	10,994	
Total Revenues	31,562,809	30,602,461	29,466,238	28,842,904	28,429,067	27,516,536	26,233,165	27,194,395	25,586,914	24,025,043
Expenditures:										
Current:										
General government	2,371,401	2,275,707	2,205,925	2,454,567	2,546,891	2,229,545	2,430,042	2,613,575	2,271,570	1,957,629
Public safety	880,787	880,332	875,619	854,064	805,422	786,289	764,676	707,281	734,567	676,517
Public works	1,823,877	2,267,846	2,126,331	2,003,961	2,043,021	2,150,867	1,990,610	2,348,543	1,704,170	1,636,839
Health and welfare	399,354	304,083	297,313	296,389	329,147	352,571	339,877	302,024	291,782	254,649
Culture and recreation	529,841	535,287	518,521	513,115	497,520	502,753	498,885	466,090	452,043	387,991
Education	23,465,940	22,376,890	21,414,633	20,918,591	20,170,062	19,463,675	19,468,254	20,293,804	18,488,983	17,273,280
Debt service:										
Principal	187,897	185,959	184,099	42,313	40,600	73,988	327,236	192,103	188,910	195,118
Interest	66,388	71,826	76,487	122,669	9,321	13,031	13,417	34,279	42,260	40,839
Capital outlay	1,399,571	921,067	1,600,866	1,502,821	4,154,386	775,223	1,220,392	584,040	957,805	659,914
Total Expenditures	31,125,056	29,818,997	29,299,794	28,708,490	30,596,370	26,347,942	27,053,389	27,541,739	25,132,090	23,082,776
Excess (Deficiency) of Revenues over Expenditures	437,753	783,464	166,444	134,414	(2,167,303)	1,168,594	(820,224)	(347,344)	454,824	942,267
Other Financing Sources (Uses):										
Capital lease										165,948
Issuance of debt				2,800,000						
Bond premium				70,557						
Proceeds from sale of property		153,895	19,500				877,500			
Transfers in	1,047,200	969,189	1,765,881	1,093,103	1,295,102	1,269,758	1,631,707	15,379	10,000	25,900
Transfers out	(1,047,200)	(969,189)	(1,765,881)	(1,093,103)	(1,295,102)	(1,269,758)	(1,631,707)	(15,379)	(10,000)	(25,900)
Total Other Financing Sources	-	153,895	19,500	2,870,557	-	-	877,500	-	-	165,948
Net Change in Fund Balances	\$ 437,753	\$ 937,359	185,944	\$ 3,004,971	\$ (2,167,303)	\$ 1,168,594	\$ 57,276	\$ (347,344)	\$ 454,824	\$ 1,108,215
Debt Service as a Percentage to Noncapital Expenditures	0.86%	0.90%	0.95%	0.61%	0.24%	0.34%	1.32%	0.84%	0.96%	1.05%

TABLE 5

**TOWN OF HADDAM, CONNECTICUT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(UNAUDITED)**

		Real Estate		Personal Property		Totals				Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Rate		
		Assessed Value	Estimated Actual Value	Motor Vehicle Assessed Value	Personal Property Assessed Value	Total Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value				
59	Year Ended June 30	Grand List											
	2016	2014	\$ 787,180,238	\$ 1,124,543,197	\$ 67,823,300	\$ 57,861,310	\$ 125,684,610	\$ 179,549,443	\$ 912,864,848	\$ 1,304,092,640	70.00%	31.20	
	2015	2013	781,678,908	1,116,684,154	67,373,700	56,187,465	123,561,165	176,515,950	905,240,073	1,293,200,104	70.00%	30.39	
	2014	2012	776,968,167	1,109,954,524	65,823,552	56,902,665	122,726,217	175,323,167	899,694,384	1,285,277,691	70.00%	28.99	
	2013	2011	775,066,628	1,107,238,040	55,704,642	66,533,310	122,237,952	174,625,646	897,304,580	1,281,863,686	70.00%	29.48	
	2012	*	2010	771,626,576	1,102,323,680	63,766,620	54,944,042	118,710,662	169,586,660	890,337,238	1,271,910,340	70.00%	28.23
	2011	2009	787,724,543	1,125,320,776	58,956,034	51,565,818	110,521,852	157,888,360	898,246,395	1,283,209,136	70.00%	27.40	
	2010	2008	775,879,800	1,108,399,714	56,894,800	53,879,372	110,774,172	158,248,817	886,653,972	1,266,648,531	70.00%	26.40	
	2009	2007	769,144,310	1,098,777,586	60,163,615	54,670,604	114,834,219	164,048,884	883,978,529	1,262,826,470	70.00%	26.00	
	2008	2006	750,068,690	1,071,526,700	58,337,890	58,732,898	117,070,788	167,243,983	867,139,478	1,238,770,683	70.00%	25.00	
	2007	*	2005	731,409,970	1,044,871,386	58,045,061	53,822,489	111,867,550	159,810,786	843,277,520	1,204,682,172	70.00%	25.00

* Revaluation performed for Grand List year

TABLE 6

**TOWN OF HADDAM, CONNECTICUT
PRINCIPAL TAXPAYERS
2014 GRAND LIST
(UNAUDITED)**

Taxpayer	(1) Assessment	Rank	Percent of Net Taxable Grand List
Connecticut Yankee Atomic Power Company	\$ 40,287,450	1	4.41%
Connecticut Light & Power	31,237,610	2	3.42%
MCAP Sabine Pointe LLC	7,045,650	3	0.77%
Riverhouse Properties, LLC	2,108,540	4	0.23%
The Davidson Company	1,815,480	5	0.20%
Camp Bethel Association Inc	1,579,960	6	0.17%
Rodgers Realty LLC	1,493,640	7	0.16%
Bridge Street Associates	1,464,880	8	0.16%
WFS Earth Materials LLC	1,140,650	9	0.12%
Touchstone Development Associates	<u>967,970</u>	10	<u>0.11%</u>
	<u><u>\$ 89,141,830</u></u>		<u><u>9.75%</u></u>

Source: Town Assessor Department.

(1) The net taxable grand list as of October 1, 2014 totaled \$912,864,848

**TOWN OF HADDAM, CONNECTICUT
PROPERTY TAX RATES, LEVIES AND COLLECTIONS
LAST TEN YEARS
(UNAUDITED)**

Year Ended June 30	(1) (2) Tax Rate In Mills	Grand List Of October 1,	Total Adjusted Tax Levy	Net Current Tax Collections	Percent of Current Levy Collected	Total Collections to Date			
						Collections in Subsequent Years	Total Collections	Percentage of Levy Collected	Current Delinquent Balance
2016	31.20	2014	\$ 28,544,380	\$ 28,250,410	99.0%	\$	\$ 28,250,410	99.0%	\$ 293,970
2015	30.39	2013	27,531,502	27,265,986	99.0%	148,318	27,414,304	99.6%	117,198
2014	28.99	2012	26,502,050	26,201,284	98.9%	249,382	26,450,666	99.8%	51,384
2013	29.48	2011	25,987,612	25,722,557	99.0%	222,630	25,945,187	99.8%	42,425
2012	28.23	2010	25,123,509	24,809,142	98.7%	280,498	25,089,640	99.9%	33,869
2011	27.40	2009	24,653,639	24,322,687	98.7%	304,661	24,627,348	99.9%	26,291
2010	26.40	2008	23,381,524	23,079,561	98.7%	283,245	23,362,806	99.9%	18,718
2009	26.00	2007	22,944,559	22,591,741	97.3%	344,292	22,936,033	100.0%	8,526
2008	25.00	2006	21,607,722	21,272,155	98.4%	329,867	21,602,022	100.0%	5,700
2007	25.00	2005	21,847,411	20,814,348	95.3%	485,197	21,299,545	97.5%	547,866

Source: Town Audit Reports.

(1) There are no overlapping of tax rates.

(2) Tax levy is per \$1,000 of the assessed value of taxable property.

TABLE 8

**TOWN OF HADDAM, CONNECTICUT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
(UNAUDITED)**

Year Ended June 30	Long-Term Debt Outstanding				Percentage of Personal Income	Debt Per Capita
	Bonds Payable	Notes Payable	Capital Leases	Total		
2016	\$ 2,380,000	\$	\$	\$ 2,380,000	4.16%	\$ 286
2015	2,520,000		47,897	2,567,897	3.89%	307
2014	2,660,000		93,856	2,753,856	3.24%	331
2013	2,800,000		137,955	2,937,955	3.20%	350
2012			180,268	180,268	52.14%	22
2011			220,868	220,868	44.32%	27
2010			294,858	294,858	33.20%	37
2009		250,000	365,317	615,317	15.86%	77
2008		375,000	432,420	807,420	N/A	102
2007		500,000	496,330	996,330	8.87%	129

NOTE: Details regarding the Town's outstanding debt can be found in the notes to the basic financial statements.

TABLE 9

**TOWN OF HADDAM, CONNECTICUT
RATIO OF LONG-TERM DEBT TO NET ASSESSED VALUE AND LONG-TERM
DEBT PER CAPITA
LAST TEN YEARS
(UNAUDITED)**

Year Ended June 30	(1) Population	(2) Net Assessed Value	(3) Total Debt	Ratio of Total Debt To Net Assessed Value	Debt Per Capita
2016	8,333	\$ 912,864,848	\$ 2,380,000	0.26%	\$ 286
2015	8,366	905,240,073	2,567,897	0.28%	307
2014	8,308	899,694,384	2,753,856	0.31%	331
2013	8,383	897,304,580	2,937,955	0.33%	350
2012	8,366	890,337,238	180,268	0.02%	22
2011	8,155	898,246,395	220,868	0.02%	27
2010	7,914	886,653,972	294,858	0.03%	37
2009	7,954	883,978,529	615,317	0.07%	77
2008	7,885	867,139,478	807,420	0.09%	102
2007	7,732	843,277,520	996,330	0.12%	129

Sources:

- (1) State of Connecticut, Department of Public Health and Addition Services
- (2) Town Assessor's Department
- (3) From Table 8

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Total tax collections (including interest and lien fees) for current year					\$ 28,573,294
Reimbursement for revenue loss on:					
Tax relief for elderly freeze					<u>40,475</u>
Base for Debt Limitation Computation					<u>\$ 28,613,769</u>
	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times base	\$ 64,380,980	\$	\$	\$	\$
4 1/2 times base		128,761,961			
3 3/4 times base			107,301,634		
3 1/4 times base				92,994,749	
3 times base					85,841,307
Total debt limitation	<u>64,380,980</u>	<u>128,761,961</u>	<u>107,301,634</u>	<u>92,994,749</u>	<u>85,841,307</u>
Indebtedness:					
Bonds payable	2,380,000				
Haddam share of Regional School District No. 17 debt		<u>5,702,599</u>			
Total indebtedness	<u>2,380,000</u>	<u>5,702,599</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 62,000,980</u>	<u>\$ 123,059,362</u>	<u>\$ 107,301,634</u>	<u>\$ 92,994,749</u>	<u>\$ 85,841,307</u>
The total net indebtedness above amounts to:					<u>\$ 8,082,599</u>
In no event shall total indebtedness exceed seven times the base for debt limitation computation					<u>\$ 200,296,383</u>

**TOWN OF HADDAM, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS
(UNAUDITED)**

Year Ended June 30	Debt Limit	Net Debt Applicable To Limit	Legal Debt Margin	Total Net Debt Applicable
2016	\$ 200,296,383	\$ 8,082,599	\$ 192,213,784	4.04%
2015	194,148,983	9,168,480	184,980,503	4.72%
2014	186,310,376	10,308,668	176,001,708	5.53%
2013	182,614,250	11,064,373	171,549,877	6.06%
2012	177,009,133	12,187,900	164,821,233	6.89%
2011	174,173,846	10,106,250	164,067,596	5.80%
2010	165,350,276	11,400,000	153,950,276	6.89%
2009	161,850,892	12,533,500	149,317,392	7.74%
2008	153,551,657	13,037,500	140,514,157	8.49%
2007	149,744,238	13,878,750	135,865,488	9.27%

TABLE 12

**TOWN OF HADDAM, CONNECTICUT
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(UNAUDITED)**

66

Year Ended	(1) Population	(2) Median Household Income	(3) Median Age	(2) Education Attainment			(4) School Enrollment	(5) Unemployment Percentage
				High School Graduate	Some College	Bachelor Or More		
2016	8,333	\$ 99,010	45	25%	10%	45%	1,248	2.9%
2015	8,366	99,985	44	24%	27%	49%	1,287	2.7%
2014	8,308	89,184	44	24%	27%	43%	1,328	5.1%
2013	8,383	93,987	44	29%	27%	39%	1,335	5.9%
2012	8,366	93,987	44	29%	27%	39%	1,375	6.1%
2011	8,155	97,892	44	31%	25%	37%	1,353	6.4%
2010	7,914	97,892	44	31%	25%	37%	1,368	4.0%
2009	7,954	97,561	44	31%	27%	34%	1,394	4.7%
2008	7,885	(6)	(6)	(6)	(6)	(6)	1,456	(6)
2007	7,732	88,417	43	31%	27%	34%	1,449	3.6%

(1) Source: State of Connecticut, Department of Public Health and Addiction Services

(2) Connecticut Economic Resource Center, Inc.

(3) U.S. Department of Commerce, Bureau of Census

(4) Regional School District No. 17 annual budget

(5) Connecticut Labor Department - Research and Statistics

(6) Information not available

TOWN OF HADDAM, CONNECTICUT
PRINCIPAL EMPLOYERS
JUNE 30, 2016
(UNAUDITED)

Employer	Estimated Number of Employees	Rank
Regional School District No. 17	397	1
The Saybrook at Haddam (Brian House, Inc.)	100-249	2
River House	50-100	3
Town of Haddam	50-100	4

Sources: Connecticut Economic Resource Center, Inc. and First Selectman's Office
Town of Haddam