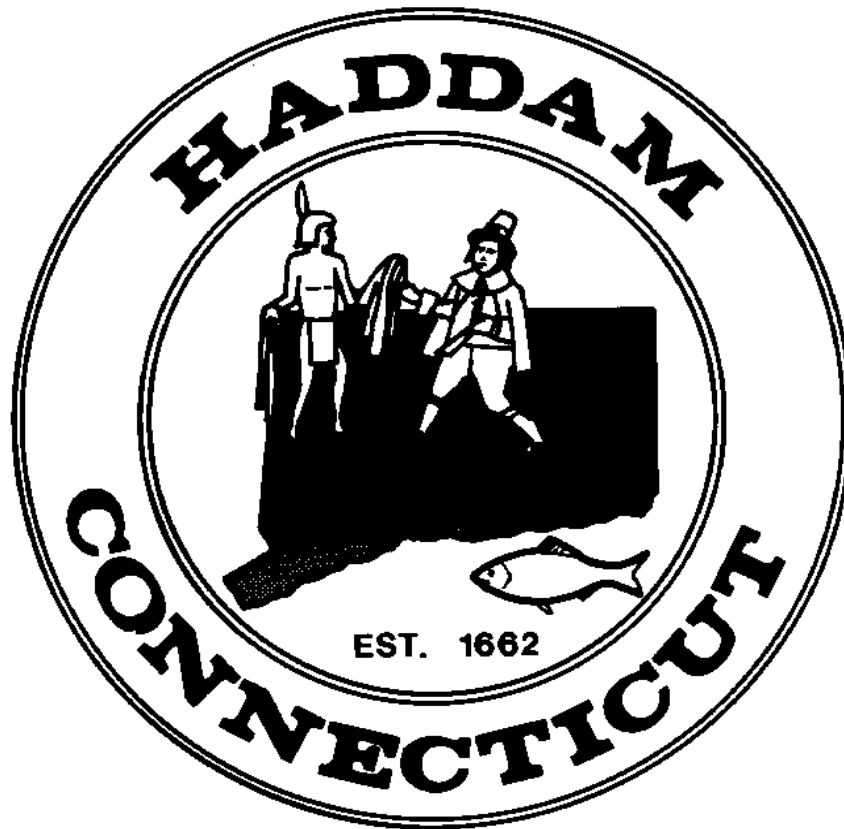


TOWN OF HADDAM, CONNECTICUT



Annual Financial Report

**For The Year Ended
June 30, 2014**

TOWN OF HADDAM, CONNECTICUT
ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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Independent Auditors' Report



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Independent Auditors' Report

To the Board of Finance of the
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, 2014, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows 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.

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 11 and supplementary pension information on pages 43 through 47 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 22, 2014 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 22, 2014

Management's Discussion and Analysis



Management's Discussion and Analysis For the Year Ended June 30, 2014

As management of the Town of Haddam, we offer readers of the Town of Haddam's financial statements this narrative overview and analysis of the financial activities of the Town of Haddam for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$27,485,027 (*net position*). Of this amount, \$8,220,600 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$796,564. This was due substantially to an increase in positive operations of the General Fund, capital asset activity in excess of depreciation expense and donated infrastructure capital assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,326,363, an increase of \$185,944 in comparison with the prior year. This increase is substantially due to positive operating results of the General Fund of \$98,040 and the Road Fund of \$651,550, offset by negative operating results in the Capital Nonrecurring Fund of \$321,179, and Transfer Station fund of \$116,372.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,769,261, an increase of \$98,040 in comparison with the prior year. This represents 12.9% percent of total General Fund expenditures and transfers out, a decrease of 0.2% from the prior year.
- Long-term liabilities decreased by a net of \$225,180 due to scheduled debt service payments.

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 include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two 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.

30 Field Park Drive, Haddam, CT 06438
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Other nonfinancial factors that should be considered are changes in the Town's property tax base and the condition of the Town's building and infrastructure (roads) to fully assess the overall health of the Town.

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.

The Town maintains 12 individual 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 Transfer Station 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.

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 increased from \$26,688,463 to \$27,485,027.

By far the largest portion of the Town's net position (69.7%) 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, 2014

	2014	2013
Current and other assets	\$ 9,443,460	\$ 9,560,331
Capital assets, net	21,987,082	21,261,604
Total assets	<u>31,430,542</u>	<u>30,821,935</u>
Long-term liabilities	3,360,633	3,585,813
Other liabilities	584,882	547,659
Total liabilities	<u>3,945,515</u>	<u>4,133,472</u>
Net investment in capital assets	19,169,725	18,323,649
Restricted	94,702	82,447
Unrestricted	<u>8,220,600</u>	<u>8,282,367</u>
Total Net Position	<u>\$ 27,485,027</u>	<u>\$ 26,688,463</u>

A portion of the Town's net position (0.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (30.0%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Town's net position by \$796,564. Key elements of this increase are as follows:

CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 484,257	\$ 424,337
Operating grants and contributions	1,842,432	1,905,281
Capital grants and contributions	323,388	445,476
General revenues:		
Property taxes	26,373,612	26,202,674
Grants and contributions not restricted to specific programs	136,918	140,529
Unrestricted investment earnings	21,559	18,235
Other general revenues	71,379	4,663
Total revenues	<u>29,253,545</u>	<u>29,141,195</u>
Expenses:		
General government	2,232,172	2,506,887
Public safety	1,082,302	1,178,583
Public works	2,673,437	2,340,587
Health and welfare	297,313	296,389
Miscellaneous organizations/recreation	572,906	582,330
Education	21,414,632	20,918,591
Interest on long-term debt	184,219	33,854
Total expenses	<u>28,456,981</u>	<u>27,857,221</u>
Change in net position	796,564	1,283,974
Net Position, Beginning of Year	<u>26,688,463</u>	<u>25,404,489</u>
Net Position, End of Year	<u>\$ 27,485,027</u>	<u>\$ 26,688,463</u>

Governmental activities (continued)

- Capital grants and contributions decreased by \$122,088 due to the decrease as compared to prior year of the projects related grants received in the prior year.
- Education expenses increased by \$496,041 due to the increase in the percentage of the Regional School District No. 17's budget that is allocated to the Town. The allocation is based upon enrollment.
- Public works expenses increased by \$332,850 due to the decrease in the road reconstruction projects being capitalized as compared to prior year. This is as a result of increased maintenance project as compared to reconstruction projects.

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 \$7,326,363. The Town's components of fund balance are as follows: 1) Nonspendable for loans under the federal Small Cities program (\$103,542), 2) restricted for grants (\$94,702), committed for capital projects, the road reconstruction and special revenue activities (\$2,863,616), assigned for debt service (\$495,242) and unassigned of \$3,769,261.

The total fund balance increased by \$185,944, which is as a result of the positive operating results of the General Fund of \$98,040 and the Road Fund of \$651,550, offset by negative operating results in the Capital Nonrecurring Fund of \$321,179, and Transfer Station fund of \$116,372.

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 \$3,769,261. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 12.9% of total General Fund expenditures and transfers out as compared to 13.1% in the prior year.

The fund balance of the General Fund increased by \$98,040 for the current fiscal year. Key factors were as follows:

- On the revenue side, tax revenue collections exceeded estimates by \$169,446 and charges for services exceeded the budget by \$51,440. The increase in fund balance was also attributable to the Town expending less than budgeted by \$436,584.

On the expenditure side the town expended \$549,755 less than budgeted. The following are some of the areas the Town realized the savings:

- Town Counsel line item was \$76,224 under budget due to the reduction in required legal representation.
- Insurance and benefits was \$61,738 due to reduced costs for medical claims.
- Unused contingency balance totaled \$97,371.
- The Fire Protection budget line item was under spent by \$48,256 due to the need to replace certain items being postpone to the following fiscal year.
- Public Works realized net savings of \$99,394 as a result of \$106,360 in savings in solid waste disposal line due to changes in the way haulers are charged for disposals at the Transfer Station.
- An additional appropriation for \$700,000 was approved for transfer to the Road fund to fund road and bridge reconstruction projects.

Capital Nonrecurring Fund. This fund accounts for the Town's annual budget appropriation that is the funding for the Town's five-year capital plan. The five-year capital plan includes funding for purchases and items that are reserved for specific approved projects. Currently there are over 70 separate projects, with many projects funded over multiple years. The Capital Projects fund's expenditures exceeded its revenues and transfers by \$321,179 due to the expenditures for equipment purchases and projects that had been funded in prior years. The total fund balance at June 30, 2014 totaled \$1,237,518.

Transfer Station Fund. This fund accounts for the remediation of the Town's old landfill site and the construction of a new Transfer Station. During the fiscal year the Town completed the project and transferred out the remaining balance of \$98,811 to the Capital NonRecurring Fund.

General Fund Budgetary Highlights

There was \$700,000 of additional appropriations made during the year for transfer to the Road Fund to fund various road and bridge reconstruction projects. There was limited use of the contingency line during the year with transfer only amounting to \$2,629.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets as of June 30, 2014, totaled \$21,987,082 (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 increase in the Town's investment in capital assets for the current fiscal year was \$725,478. This increase is largely due to the increase in machinery and equipment purchased during, infrastructure additions and construction in progress for road projects. The Town's capitalization policy is that only those assets that cost \$5,000 or more with a useful life exceeding one year are capitalized. Assets costing less than \$5,000 are expensed.

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

- Construction in progress activity which included road reconstructions and completion of the Transfer Station.
- Building improvements additions totaled 260,667, which included \$51,279 for the entrance of the Town Office Building, \$52,707 for the installation of a boiler in Fire Station #1 and \$70,912 for the new sand/salt building
- Vehicle additions totaled \$626,123 include the purchase of a new fire truck for \$332,274, a roll off truck for \$160,000, a senior center van for \$63,680 and a street sweeper for \$45,111. Related disposal of vehicles totaled of \$203,505.
- Depreciation expense of \$918,694.

CAPITAL ASSETS - NET

	2014	2013
Land	\$ 1,090,383	\$ 1,090,383
Construction in progress	334,983	3,363,385
Land improvements	4,047,818	905,513
Buildings and improvements	3,958,780	3,853,163
Machinery and equipment	793,613	557,938
Infrastructure	10,256,956	10,078,513
Motor vehicles	1,504,549	1,412,709
Total	<u>\$ 21,987,082</u>	<u>\$ 21,261,604</u>

Additional information on the Town's capital assets can be found in Note 4.

Long-term liabilities. At the end of the current fiscal year, the Town had total debt outstanding of \$2,753,856. All debt is backed by the full faith and credit of the Town.

LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
Bonds payable	\$ 2,660,000	\$ 2,800,000
Capital leases	<u>93,856</u>	<u>137,955</u>
Total	<u>\$ 2,753,856</u>	<u>\$ 2,937,955</u>

The Town's debt decrease during the year by \$184,099 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 \$186,310,376, 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 6.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 5.0%, which is a decrease from a rate of 5.9% a year ago. The Town's rate is favorable as compared to the State rate of 6.70% and comparable to the Hartford Labor Market rate of 8.5%. The Town is also below the national average of 6.1%.
- The Town is under continues to be under fiscal pressure from voter opposition in the tax levy. 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.

All of these factors were considered in preparing the Town's budget for the 2015 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, 2014

Assets:	
Cash and cash equivalents	\$ 7,694,401
Receivables:	
Property taxes, net of allowance for uncollectibles of \$200,000	947,186
Interest on property taxes, net of allowance for uncollectibles of \$300,000	607,588
Grants and contracts	71,670
Other	119,200
Net pension asset	3,415
Capital assets:	
Nondepreciable	1,425,366
Depreciable, net	20,561,716
Total assets	<u>31,430,542</u>
Liabilities:	
Accounts payable	539,561
Accrued salaries and benefits payable	35,321
Unearned revenue	10,000
Noncurrent liabilities:	
Due within one year	206,875
Due in more than one year	3,153,758
Total liabilities	<u>3,945,515</u>
Net Position:	
Net investment in capital assets	19,169,725
Restricted:	
General government	42,441
Health and welfare	52,261
Unrestricted	<u>8,220,600</u>
Total Net Position	<u>\$ 27,485,027</u>

The accompanying notes are an integral part of the financial statements

EXHIBIT II

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 2,232,172	\$ 423,919	\$ 36,924	\$	\$ (1,771,329)
Public safety	1,082,302	41,405			(1,040,897)
Public works	2,673,437	18,933	3,095	323,388	(2,328,021)
Health and welfare	297,313				(297,313)
Culture and recreation	572,906				(572,906)
Education	21,414,632		1,802,413		(19,612,219)
Interest expense	184,219				(184,219)
Total	<u>\$ 28,456,981</u>	<u>\$ 484,257</u>	<u>\$ 1,842,432</u>	<u>\$ 323,388</u>	<u>(25,806,904)</u>
General revenues:					
Property taxes, levied for general purposes					26,373,612
Grants and contributions not restricted to specific programs					136,918
Unrestricted investment earnings					21,559
Miscellaneous					71,379
Total general revenues					<u>26,603,468</u>
Change in Net Position					796,564
Net Position at Beginning of Year					<u>26,688,463</u>
Net Position at End of Year					<u>\$ 27,485,027</u>

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Transfer Station</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 7,261,131	\$	\$ 170,663	\$	\$ 262,607	\$ 7,694,401
Receivables:						
Property taxes	947,186					947,186
Intergovernmental receivable	71,670					71,670
Other	15,658				103,542	119,200
Due from other funds	<u>170,663</u>	<u>1,237,518</u>		<u>1,318,049</u>	<u>645,386</u>	<u>3,371,616</u>
Total Assets	<u>\$ 8,466,308</u>	<u>\$ 1,237,518</u>	<u>\$ 170,663</u>	<u>\$ 1,318,049</u>	<u>\$ 1,011,535</u>	<u>\$ 12,204,073</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 513,587	\$	\$	\$	\$	\$ 513,587
Accrued salaries and benefits payable	35,321					35,321
Unearned revenue					10,000	10,000
Due to other funds	<u>3,200,953</u>		<u>170,663</u>			<u>3,371,616</u>
Total liabilities	<u>3,749,861</u>	<u>-</u>	<u>170,663</u>	<u>-</u>	<u>10,000</u>	<u>3,930,524</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	<u>947,186</u>					<u>947,186</u>
Fund balances:						
Nonspendable					103,542	103,542
Restricted					94,702	94,702
Committed		1,237,518		1,318,049	308,049	2,863,616
Assigned					495,242	495,242
Unassigned	<u>3,769,261</u>					<u>3,769,261</u>
Total fund balances	<u>3,769,261</u>	<u>1,237,518</u>	<u>-</u>	<u>1,318,049</u>	<u>1,001,535</u>	<u>7,326,363</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,466,308</u>	<u>\$ 1,237,518</u>	<u>\$ 170,663</u>	<u>\$ 1,318,049</u>	<u>\$ 1,011,535</u>	<u>\$ 12,204,073</u>

(Continued on next page)

**TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2014**

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)	\$ 7,326,363
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	\$ 65,030,806	
Less accumulated depreciation and amortization	<u>(43,043,724)</u>	
Total capital assets, net		21,987,082

The net pension asset resulting from contributions in excess of the annual required contributions are not financial resources and, therefore, are not reported in the funds.	3,415
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Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the governmental funds.	947,186
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Accrued interest on property taxes, net, is not susceptible to accrual and, therefore, is not reported in the governmental funds.	607,588
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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	(2,660,000)
Unamortized bond premium	(63,501)
Capital leases	(93,856)
Compensated absences	(46,523)
Net pension obligation	(227,478)
Interest payable on bonds	(25,974)
Landfill closure and post closure costs	<u>(269,275)</u>

Net Position (Exhibit I)	\$ <u><u>27,485,027</u></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, 2014

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Transfer Station</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes, interest and lien fees	\$ 26,605,805	\$	\$	\$	\$	\$ 26,605,805
Intergovernmental	2,065,467			247,778	36,924	2,350,169
Charges for services	458,540				13,582	472,122
Income from investments	21,079		17		463	21,559
Miscellaneous					16,583	16,583
Total revenues	<u>29,150,891</u>	<u>-</u>	<u>17</u>	<u>247,778</u>	<u>67,552</u>	<u>29,466,238</u>
Expenditures:						
Current:						
General government	2,156,365				49,560	2,205,925
Public safety	875,619					875,619
Public works	2,092,909				33,422	2,126,331
Health and welfare	297,313					297,313
Culture and recreation	518,521					518,521
Education	21,414,633					21,414,633
Debt service:						
Principal and interest payments	49,921				210,665	260,586
Capital outlay		909,302	17,578	673,986		1,600,866
Total expenditures	<u>27,405,281</u>	<u>909,302</u>	<u>17,578</u>	<u>673,986</u>	<u>293,647</u>	<u>29,299,794</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,745,610</u>	<u>(909,302)</u>	<u>(17,561)</u>	<u>(426,208)</u>	<u>(226,095)</u>	<u>166,444</u>
Other Financing Sources (Uses):						
Proceeds from sale of property	19,500					19,500
Transfers in		588,123		1,077,758	100,000	1,765,881
Transfers out	<u>(1,667,070)</u>		<u>(98,811)</u>			<u>(1,765,881)</u>
Total other financing sources (uses)	<u>(1,647,570)</u>	<u>588,123</u>	<u>(98,811)</u>	<u>1,077,758</u>	<u>100,000</u>	<u>19,500</u>
Net Change in Fund Balances	98,040	(321,179)	(116,372)	651,550	(126,095)	185,944
Fund Balances at Beginning of Year	<u>3,671,221</u>	<u>1,558,697</u>	<u>116,372</u>	<u>666,499</u>	<u>1,127,630</u>	<u>7,140,419</u>
Fund Balances at End of Year	<u>\$ 3,769,261</u>	<u>\$ 1,237,518</u>	<u>\$ -</u>	<u>\$ 1,318,049</u>	<u>\$ 1,001,535</u>	<u>\$ 7,326,363</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, 2014**

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)	\$	185,944
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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	\$ 1,644,172		
Depreciation expense	(918,694)		
Net adjustment			725,478

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 net pension obligation		37,651
Other long-term liability		13,170
Change in compensated absences		(13,243)
Change in landfill closure and post-closure costs		(25)

Interest on property taxes receivable is not susceptible to accrual and, therefore, is only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds.		(57,200)
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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		(174,993)
Change in pension asset		3,415

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
Other		(109,308)
Accrued interest		(1,952)
Principal repayments on bonds		140,000
Principal repayments on capital leases		44,099

Change in Net Position of Governmental Activities	\$	<u>796,564</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 BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes, interest and lien fees	\$ 26,436,359	\$ 26,436,359	\$ 26,605,805	\$ 169,446
Intergovernmental	2,045,647	2,045,647	2,065,467	19,820
Charges for services	407,100	407,100	458,540	51,440
Interest income	33,000	33,000	21,079	(11,921)
Total revenues	<u>28,922,106</u>	<u>28,922,106</u>	<u>29,150,891</u>	<u>228,785</u>
Expenditures:				
Current:				
General government	2,494,425	2,493,066	2,156,365	336,701
Public safety	929,235	930,594	875,619	54,975
Public works	2,227,303	2,192,303	2,092,909	99,394
Health and welfare	308,650	308,650	297,313	11,337
Culture and recreation	530,869	530,869	518,521	12,348
Education	21,414,633	21,414,633	21,414,633	-
Debt service	49,921	49,921	49,921	-
Total expenditures	<u>27,955,036</u>	<u>27,920,036</u>	<u>27,405,281</u>	<u>514,755</u>
Excess of revenues over expenditures	<u>967,070</u>	<u>1,002,070</u>	<u>1,745,610</u>	<u>743,540</u>
Other financing sources and (uses):				
Appropriation of fund balance		700,000		(700,000)
Proceeds from sale of property			19,500	19,500
Transfers out	<u>(967,070)</u>	<u>(1,702,070)</u>	<u>(1,667,070)</u>	<u>35,000</u>
Total other financing uses	<u>(967,070)</u>	<u>(1,002,070)</u>	<u>(1,647,570)</u>	<u>(645,500)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	98,040	\$ <u>98,040</u>
Fund Balance at Beginning of Year			<u>3,671,221</u>	
Fund Balance at End of Year			\$ <u>3,769,261</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, 2014

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$	\$ 239,856
Investments:		
Mutual funds	<u>5,600,379</u>	<u> </u>
Total assets	<u>5,600,379</u>	\$ <u><u>239,856</u></u>
Liabilities:		
Due to others	<u> </u>	\$ <u>239,856</u>
Total liabilities	<u>-</u>	\$ <u><u>239,856</u></u>
Net Position:		
Held in Trust for Pension Benefits	\$ <u><u>5,600,379</u></u>	

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, 2014

	<u>Pension Trust Funds</u>
Additions:	
Employer contributions	\$ 310,254
Other	<u>11,243</u>
Total contributions	321,497
Investment gains:	
Change in the fair value of investments	<u>720,426</u>
Total additions	1,041,923
Deductions:	
Benefit payments	<u>221,327</u>
Change in Net Position	820,596
Net Position at Beginning of Year	<u>4,779,783</u>
Net Position at End of Year	\$ <u><u>5,600,379</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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.

Transfer Station - This fund is to account for the planning, engineering and construction of a solid waste transfer station.

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 does not have any balances that meet this definition.

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. 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 Obligation

The net pension obligation represents the cumulative difference between the annual pension cost and the Town's contributions to the plans. This amount is calculated on an actuarial basis and is recorded as a noncurrent liability in the government-wide financial statements.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$200,000 and \$300,000, respectively, as of June 30, 2014.

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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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. During the year, there were additional General Fund appropriations from fund balance of \$700,000.

- 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.

B. Capital Project Authorizations

The following is the authorization, cumulative expenditures and the balance for the transfer station project:

<u>Authorization</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2014</u>
\$ 3,205,000	\$ 3,188,269	\$ 16,731

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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*, \$6,844,100 of the Town's bank balance of \$7,941,622 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,084,690
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>759,410</u>
	<u><u>\$ 6,844,100</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.

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, 2014, the Town had \$24,770 in certificates of deposit maturing within the 90 days.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

C. Investments

As of June 30, 2014, the Town's investments consisted of the following:

<u>Investment type</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Other investments:		
Mutual Funds - Equity	N/A	\$ 3,419,268
Mutual Funds - Real Estate	N/A	226,002
Mutual Funds - Bonds	**	<u>1,955,109</u>
Total Investments		<u>\$ 5,600,379</u>

** Bond mutual funds credit rating:

AAA	\$ 1,084,090
AA	160,457
A	320,213
BBB	249,355
BB	61,001
B	16,541
Below B	<u>63,452</u>
	<u>\$ 1,955,109</u>

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, 2014. 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,090,383	\$	\$	\$ 1,090,383
Construction in progress	<u>3,363,385</u>	<u>177,802</u>	<u>3,206,204</u>	<u>334,983</u>
Total capital assets not being depreciated	<u>4,453,768</u>	<u>177,802</u>	<u>3,206,204</u>	<u>1,425,366</u>
Capital assets being depreciated:				
Land improvements	1,123,757	3,206,204		4,329,961
Buildings and improvements	6,030,117	260,667		6,290,784
Machinery and equipment	2,018,491	382,834		2,401,325
Infrastructure	46,166,148	529,021		46,695,169
Motor vehicles	<u>3,797,858</u>	<u>293,848</u>	<u>203,505</u>	<u>3,888,201</u>
Total capital assets being depreciated	<u>59,136,371</u>	<u>4,672,574</u>	<u>203,505</u>	<u>63,605,440</u>
Less accumulated depreciation for:				
Land improvements	218,244	63,899		282,143
Buildings and improvements	2,176,954	155,050		2,332,004
Machinery and equipment	1,460,553	147,159		1,607,712
Infrastructure	36,087,635	350,578		36,438,213
Motor vehicles	<u>2,385,149</u>	<u>202,008</u>	<u>203,505</u>	<u>2,383,652</u>
Total accumulated depreciation	<u>42,328,535</u>	<u>918,694</u>	<u>203,505</u>	<u>43,043,724</u>
Total capital assets being depreciated, net	<u>16,807,836</u>	<u>3,753,880</u>	<u>-</u>	<u>20,561,716</u>
Capital Assets, Net	<u>\$ 21,261,604</u>	<u>\$ 3,931,682</u>	<u>\$ 3,206,204</u>	<u>\$ 21,987,082</u>

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

General government	\$ 56,390
Public safety	241,849
Public works	576,993
Culture and recreation	<u>43,462</u>
Total Depreciation Expense	<u>\$ 918,694</u>

Construction Commitments

The Town has no active construction projects as of June 30, 2014.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2014 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Transfer Station	\$ 170,663
Roads Fund	General Fund	1,318,049
Capital Nonrecurring Fund	General Fund	1,237,518
Nonmajor Funds	General Fund	<u>645,386</u>
Total		<u>\$ 3,371,616</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, 2014 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental funds:		
Capital Nonrecurring Fund	General Fund	\$ 489,312
Capital Nonrecurring Fund	Transfer Station	98,811
Roads Fund	General Fund	1,077,758
Nonmajor funds	General Fund	<u>100,000</u>
Total		<u>\$ 1,765,881</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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

6. 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, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond payable:					
Bonds payable	\$ 2,800,000	\$	\$ 140,000	\$ 2,660,000	\$ 140,000
Bond premium	67,029		3,528	63,501	
Total bonds payable	<u>2,867,029</u>		<u>143,528</u>	<u>2,723,501</u>	<u>140,000</u>
Capital leases	137,955		44,099	93,856	45,959
Net pension obligation	265,129		37,651	227,478	
Landfill					
post-closure costs	269,250	9,000	8,975	269,275	9,285
Compensated absences	33,280	46,523	33,280	46,523	11,631
Other	<u>13,170</u>		<u>13,170</u>	<u>-</u>	
Long-Term liabilities	<u>\$ 3,585,813</u>	<u>\$ 55,523</u>	<u>\$ 280,703</u>	<u>\$ 3,360,633</u>	<u>\$ 206,875</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, 2014</u>
Bonds Payable:					
General Bonds	8/30/2012	\$ 2,800,000	2.0-3.0%	8/15/2032	\$ 2,660,000

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 140,000	\$ 67,865	\$ 207,865
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
2020-2024	700,000	196,525	896,525
2025-2029	700,000	113,103	813,103
2030-2033	560,000	29,855	589,855
	<u>\$ 2,660,000</u>	<u>\$ 639,608</u>	<u>\$ 3,299,608</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 \$186,310,376 as of June 30, 2014. 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, 2014.

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 59,885,478	\$ 2,660,000	\$ 57,225,478
Schools	119,770,956	7,648,668	112,122,288
Sewers	99,809,130		99,809,130
Urban renewal	86,501,246		86,501,246
Pension deficit	79,847,304		79,847,304

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, 2014, the outstanding bonded indebtedness of the District was \$13,115,000. The Town of Haddam's share will be 58.32% of the outstanding indebtedness, or \$7,648,668. 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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

D. Capital Leases

A summary of assets acquired through capital leases are as follows as of June 30, 2014:

	Governmental Activities
Motor vehicles	\$ 435,530
Less accumulated amortization	<u>(275,836)</u>
	<u><u>\$ 159,694</u></u>

Depreciation expense relative to leased property under capital leases totaled \$29,036 for the year ended June 30, 2014 and is included in depreciation and amortization expense disclosed in Note 5.

Year Ending June 30	Governmental Activities
2015	\$ 49,920
2016	49,920
Total minimum lease payments	<u>99,840</u>
Less amount representing interest	<u>5,984</u>
Present Value of Minimum Lease Payments	<u><u>\$ 93,856</u></u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

E. 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 29 years at \$9,285 per year are \$269,275. These amounts are based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

F. 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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

7. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2014 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	\$ _____	\$ _____	\$ _____	\$ 103,542	\$ 103,542
Restricted:					
Grants	_____	_____	_____	94,702	94,702
Committed:					
General government				137,798	137,798
Public works				5,402	5,402
Capital projects		1,237,518	1,318,049	140,079	2,695,646
Open space				24,770	24,770
Total committed	_____	1,237,518	_____	308,049	2,863,616
Assigned:					
Debt service	_____	_____	_____	495,242	495,242
Unassigned	3,769,261	_____	_____	_____	3,769,261
Total Fund Balances	\$ <u>3,769,261</u>	\$ <u>1,237,518</u>	\$ <u>1,318,049</u>	\$ <u>1,001,535</u>	\$ <u>7,326,363</u>

8. 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.

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.

TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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:

	<u>Town Plan</u>	<u>Firefighters' Plan</u>
Retirees and beneficiaries currently receiving benefits	14	26
Terminated employees entitled to benefits but not yet receiving them	8	36
Active plan members	<u>24</u>	<u>69</u>
	<u><u>46</u></u>	<u><u>131</u></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. In addition to actuarially determined contributions, the Town also makes annual installment payments, including interest at 7%, for the cost of service credit granted retroactively to employees before funding began.

For the year ended June 30, 2014, employer contributions to the Town Employees' Pension Plan represented 26.2% of covered payroll and an actuarial determined amount of \$60,922 for the firefighters' plan.

TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 following was the Trustees' adopted asset allocation policy for both plans as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash and Fixed Income	40%
Equities	60%
Total	<u>100%</u>

Rate of Return: For the year ended June 30, 2014, 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 13.72% and 15.05%, 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

In accordance with GASB Statement No. 67, the components of the net pension liability of the Town at June 30, 2014 were as follows:

	<u>Town Plan</u>	<u>Firefighters' Plan</u>
Total pension liability	\$ 4,586,279	\$ 1,755,173
Plan fiduciary net position	<u>4,096,337</u>	<u>1,504,042</u>
Net pension liability	<u>\$ 489,942</u>	<u>\$ 251,131</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.32%</u>	<u>85.69%</u>

The Town's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Inflation	3.00%
Salary increases	5.00% compounded annually
Investment rate of return	7.00%, compounded annually

Mortality rates were based on the 2014 Optional Combined Tables (IRB 2007-24) for Males or Females, as appropriate.

The actuarial assumptions used in the July 1, 2014 valuation for the firefighters' plan were based on the results of an actuarial study for the period July 1, 2013-June 30, 2014. The actuarial assumptions used in the January 1, 2014 valuation for the employees' plan were based on the results of an actuarial experience study for the period January 1, 2013-December 31, 2013.

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, 2014 (see the discussion of the pension plan's investment policy) for both plans are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Stocks	6.99%
Global Stocks	7.19%
General Account	4.12%
Cash	1.29%
Core Bonds	3.84%
Long-term Care Bonds	4.44%
TOPS	3.74%
High Yield Bonds	4.89%
Non-U.S. Bonds	2.44%
U.S. Real Estate	4.94%
Private Real Estate	5.69%
Commodities	3.99%
Real Estate Basket	6.29%

TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

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 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability:			
Town Plan	\$ 947,741	\$ 489,942	\$ 93,117
Firefighters' Plan	463,432	251,131	71,712

Annual Pension Cost and Net Pension Obligation

In accordance with GASB Statement No. 27, the Town's annual pension cost and net pension obligation to the Town of Haddam Pension Plans for the year ended June 30, 2014 were as follows:

	Town Plan	Firefighters' Plan
Annual required contribution	\$ 233,178	\$ 56,936
Interest on net pension obligation	16,877	1,682
Adjustment to annual required contribution	(36,064)	(3,421)
Annual pension cost	213,991	55,197
Contributions made	227,608	82,646
Decrease in net pension obligation	(13,617)	(27,449)
Net pension obligation, beginning of year	241,095	24,034
Net Pension Obligation (Asset), End of Year	\$ 227,478	\$ (3,415)

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Town Plan *						
January 1, 2014	\$ 3,979,426	\$ 4,244,595	\$ 265,169	94%	\$ N/A	N/A
January 1, 2013	3,406,023	3,693,509	287,486	92%	1,001,353	29%
January 1, 2012	2,918,354	3,226,698	308,344	90%	1,012,849	30%
January 1, 2011	2,775,873	3,106,041	330,168	89%	1,150,309	29%
January 1, 2010	2,315,555	2,687,852	372,297	86%	1,131,163	33%
January 1, 2009	1,818,174	2,135,949	317,775	85%	1,021,432	31%

* Frozen Initial Liability

Firefighters' Plan **

July 1, 2013	\$ 1,321,200	\$ 1,633,912	\$ 312,712	81%	N/A	N/A
July 1, 2012	1,199,725	1,564,320	364,595	77%	N/A	N/A
July 1, 2011	1,192,484	1,576,434	383,950	76%	N/A	N/A
July 1, 2010	994,311	1,488,040	493,729	67%	N/A	N/A
July 1, 2009	878,949	1,415,228	536,279	62%	N/A	N/A
July 1, 2008	1,035,665	1,339,826	304,161	77%	N/A	N/A

** Unit Credit

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
Town Plan:				
2012	\$ 242,076	\$ 294,688	121.7%	\$ 296,142
2013	207,479	262,526	126.5%	241,095
2014	213,991	227,608	106.4%	227,478
Firefighters' Plan:				
2012	71,286	108,110	151.7%	45,429
2013	70,605	92,000	130.3%	24,034
2014	55,197	82,646	149.7%	(3,415)

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Plan Financial Statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF PLAN NET POSITION
JUNE 30, 2014**

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Pension Plan	Total
ASSETS			
Investments, at fair value	\$ 4,096,337	\$ 1,504,042	\$ 5,600,379
NET POSITION			
Held in trust for pension benefits	\$ 4,096,337	\$ 1,504,042	\$ 5,600,379

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Pension Plan	Total
Additions:			
Employer contributions	\$ 227,608	\$ 82,646	\$ 310,254
Other	11,243		11,243
Total contributions	238,851	82,646	321,497
Investment gains:			
Change in the fair value of investments	523,998	196,428	720,426
Total additions	762,849	279,074	1,041,923
Deductions:			
Benefit payments	125,095	96,232	221,327
Net increase	637,754	182,842	820,596
Net Position Held in Trust for Pension Benefits:			
Beginning of year	3,458,583	1,321,200	4,779,783
End of Year	\$ 4,096,337	\$ 1,504,042	\$ 5,600,379

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

9. 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.

10. 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 currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes, for workers' compensation and employer liability coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited by the by-laws.

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.

Required Supplementary Information

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TOWN EMPLOYEE'S PENSION PLAN
JUNE 30, 2014

Total pension liability:	
Service cost	\$ 168,836
Interest	285,670
Differences between expected and actual experience	111,968
Benefit payments, including refunds of member contributions	(125,095)
Net change in total pension liability	441,379
Total pension liability - beginning	4,144,900
Total pension liability - ending	4,586,279
Plan fiduciary net position:	
Contributions - employer	227,608
Net investment income	523,998
Benefit payments, including refunds of member contributions	(125,095)
Other	11,243
Net change in plan fiduciary net position	637,754
Plan fiduciary net position - beginning	3,458,583
Plan fiduciary net position - ending	4,096,337
Net Pension Liability - Ending	\$ 489,942
Plan fiduciary net position as a percentage of the total pension liability	89.32%
Covered-employee payroll	\$ 1,096,743
Net pension liability as a percentage of covered-employee payroll	44.67%

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
JUNE 30, 2014

Total pension liability:	
Service cost	\$ 34,543
Interest	111,006
Differences between expected and actual experience	(17,856)
Changes of assumptions	89,800
Benefit payments, including refunds of member contributions	(96,232)
Net change in total pension liability	121,261
Total pension liability - beginning	1,633,912
Total pension liability - ending	1,755,173
Plan fiduciary net position:	
Contributions - employer	82,646
Net investment income	196,428
Benefit payments, including refunds of member contributions	(96,232)
Net change in plan fiduciary net position	182,842
Plan fiduciary net position - beginning	1,321,200
Plan fiduciary net position - ending	1,504,042
Net Pension Liability - Ending	\$ 251,131
Plan fiduciary net position as a percentage of the total pension liability	85.69%
Covered-employee payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

N/A - Not applicable. Plan members are volunteers

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 184,499	\$ 241,148	\$ 190,042	\$ 235,001	\$ 186,591	\$ 295,860	\$ 294,688	\$ 262,526	\$ 227,608	\$ 233,178
Contributions in relation to the actuarially determined contribution	<u>90,000</u>	<u>90,000</u>	<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>
Contribution Deficiency (Excess)	<u>\$ 94,499</u>	<u>\$ 151,148</u>	<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>
Covered-employee payroll	\$ 961,475	\$ 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
Contributions as a percentage of covered-employee payroll	9.36%	9.41%	8.47%	12.06%	41.20%	27.58%	16.26%	29.09%	26.22%	20.75%

Notes to Schedule

Valuation date: January 1, 2013
Measurement date: June 30, 2014
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Level percentage of payroll, closed
Remaining amortization period 9.5 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 5% per annum compounded annually
Investment rate of return 7.00% 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 2014 Option Combined Tables for Males and Females (IRB 2007-24)

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 59,232	\$ 61,741	\$ 54,958	\$ 65,649	\$ 100,909	\$ 101,037	\$ 82,657	\$ 77,239	\$ 73,893	\$ 56,936
Contributions in relation to the actuarially determined contribution	<u>55,000</u>	<u>75,000</u>		<u>75,000</u>	<u>59,080</u>	<u>75,000</u>	<u>75,000</u>	<u>108,110</u>	<u>92,000</u>	<u>82,646</u>
Contribution Deficiency (Excess)	<u>\$ 4,232</u>	<u>\$ (13,259)</u>	<u>\$ 54,958</u>	<u>\$ (9,351)</u>	<u>\$ 41,829</u>	<u>\$ 26,037</u>	<u>\$ 7,657</u>	<u>\$ (30,871)</u>	<u>\$ (18,107)</u>	<u>\$ (25,710)</u>
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: January 1, 2013
Measurement date: June 30, 2014
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	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	7.00% 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	2014 Option Combined Tables for Males and Females (IRB 2007-24)

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FISCAL YEAR**

2014

Annual money-weighted rate of return, net of investment expense:

Town Employees' Pension Plan	13.72%
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Volunteer Firefighters' Pension Plan	15.05%
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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, 2014

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
Taxes, Interest and Lien Fees:				
General property taxes	\$ 26,383,359	\$ 26,383,359	\$ 26,438,038	\$ 54,679
Elderly tax abatement	(95,000)	(95,000)		95,000
Interest and lien fees	125,000	125,000	142,734	17,734
Telecommunications property tax grant	23,000	23,000	25,033	2,033
Total taxes, interest and lien fees	<u>26,436,359</u>	<u>26,436,359</u>	<u>26,605,805</u>	<u>169,446</u>
Intergovernmental:				
Education cost-sharing	1,802,413	1,802,413	1,802,413	-
Tax relief for elderly	46,000	46,000	47,264	1,264
Veterans' exemption	6,000	6,000	5,478	(522)
Mashantucket Pequot grant	23,466	23,466	20,344	(3,122)
Local capital improvement grant	75,033	75,033	71,670	(3,363)
Revenue Sharing Grant			47,431	47,431
PILOT, State-owned real property	54,735	54,735	63,832	9,097
Miscellaneous state and federal	38,000	38,000	7,035	(30,965)
Total intergovernmental	<u>2,045,647</u>	<u>2,045,647</u>	<u>2,065,467</u>	<u>19,820</u>
Charges for Services:				
Licenses and permits	277,600	277,600	277,574	(26)
Recording fees	65,000	65,000	66,025	1,025
Miscellaneous	52,500	52,500	110,977	58,477
Land use state fees			50	50
Town clerk state fees	12,000	12,000	3,914	(8,086)
Total charges for services	<u>407,100</u>	<u>407,100</u>	<u>458,540</u>	<u>51,440</u>
Interest Income	<u>33,000</u>	<u>33,000</u>	<u>21,079</u>	<u>(11,921)</u>
Total revenues	<u>28,922,106</u>	<u>28,922,106</u>	<u>29,150,891</u>	<u>228,785</u>
Other Financing Sources:				
Appropriation of fund balance		700,000		(700,000)
Proceeds from sale of property			19,500	19,500
Total other financing sources	<u>-</u>	<u>700,000</u>	<u>19,500</u>	<u>(680,500)</u>
Total Revenues	<u>\$ 28,922,106</u>	<u>\$ 29,622,106</u>	<u>\$ 29,170,391</u>	<u>\$ (451,715)</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, 2014

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
General Government:				
Selectman's office	\$ 295,919	\$ 295,919	\$ 281,033	\$ 14,886
Probate court	2,660	2,660	2,660	-
Elections	48,170	49,170	40,262	8,908
Board of finance	43,400	43,520	43,520	-
Assessor	111,377	111,377	111,201	176
Board of tax review	10	160	160	-
Tax collector's office	90,124	90,124	88,235	1,889
Treasurer's office	13,537	13,537	13,424	113
Town counsel	126,250	126,250	50,026	76,224
Town clerk	99,084	99,084	97,707	1,377
Town hall	9,113	9,113	7,922	1,191
Town office building	26,315	26,315	21,203	5,112
Town office building annex	6,304	6,304	4,100	2,204
Planning and zoning	7,438	7,438	5,688	1,750
Zoning board of appeals	90	90	90	-
Engineering department	50,000	50,000	24,451	25,549
Wetlands	60	60	55	5
Central services	198,116	198,116	178,624	19,492
Insurance and other benefits	959,081	959,081	897,343	61,738
Senior center	49,430	49,430	44,139	5,291
Youth center	8,770	8,770	7,597	1,173
Veterans Museum	9,586	9,586	6,843	2,743
Parades	1,425	1,425	420	1,005
Health director/food inspector	71,103	71,103	71,103	-
Economic development	4,500	4,500	2,840	1,660
Land use offices	159,553	159,553	152,817	6,736
Conservation	3,010	3,010	2,902	108
Contingency	100,000	97,371		97,371
Total general government	2,494,425	2,493,066	2,156,365	336,701
Public Safety:				
Fire protection	356,758	356,758	308,502	48,256
Police	307,372	308,731	308,632	99
Animal control	20,188	20,188	15,914	4,274
Emergency management	1,000	1,000	1,000	-
Fire marshal	18,354	18,354	17,557	797
Dispatch services	115,583	115,583	115,583	-
Abandoned vehicles	10	10		10
Building department	109,970	109,970	108,431	1,539
Total public safety	929,235	930,594	875,619	54,975
Public Works:				
General labor	620,708	620,708	604,336	16,372
General maintenance	557,000	557,000	555,913	1,087
Street lighting	45,000	45,000	36,127	8,873
Town garage	58,895	58,895	54,299	4,596
Snow and ice removal	325,000	325,000	363,965	(38,965)
Fire hydrants	2,000	2,000	1,629	371
Solid waste disposal	583,700	548,700	442,340	106,360
Tree maintenance	35,000	35,000	34,300	700
Total public works	2,227,303	2,192,303	2,092,909	99,394

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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, 2014

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Health and Welfare:				
Public health	\$ 78,386	\$ 78,386	\$ 78,376	\$ 10
Social services	78,500	78,500	78,500	-
Transportation for the elderly	44,264	44,264	38,156	6,108
Water pollution & control	10,000	10,000	4,781	5,219
Haddam volunteer ambulance	97,500	97,500	97,500	-
Total health and welfare	<u>308,650</u>	<u>308,650</u>	<u>297,313</u>	<u>11,337</u>
Culture and Recreation:				
Haddam park and recreation commission	63,686	63,686	51,919	11,767
Regional recreational authority	104,111	104,111	104,111	-
Higganum athletic association	10,062	10,062	9,491	571
Village parks society	3,000	3,000	3,000	-
Middlesex county water	500	500	500	-
Brainerd memorial library	339,000	339,000	339,000	-
Haddam River Days	5,000	5,000	5,000	-
Farmers Market	10	10		10
Haddam Historical Society	2,500	2,500	2,500	-
Higganum Cemetery Association	3,000	3,000	3,000	-
Total culture and recreation	<u>530,869</u>	<u>530,869</u>	<u>518,521</u>	<u>12,348</u>
Education	<u>21,414,633</u>	<u>21,414,633</u>	<u>21,414,633</u>	<u>-</u>
Debt Service	<u>49,921</u>	<u>49,921</u>	<u>49,921</u>	<u>-</u>
Total Expenditures	27,955,036	27,920,036	27,405,281	514,755
Other Financing Uses:				
Transfer out	<u>967,070</u>	<u>1,702,070</u>	<u>1,667,070</u>	<u>35,000</u>
Total Expenditures and Other Financing Uses	<u>\$ 28,922,106</u>	<u>\$ 29,622,106</u>	<u>\$ 29,072,351</u>	<u>\$ 549,755</u>

[illegible]

***Nonmajor
Governmental
Funds***

**TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds					
	Medical Insurance Reserve Fund	Material Testing	Small Cities Escrow Fund	Grants	Town Clerk	Historic Documents Preservation
ASSETS						
Cash and cash equivalents	\$ 131,352	\$ 5,402	\$ 52,261	\$ 42,441	\$ 1,819	\$ 4,562
Loans receivable			103,542			
Due from other funds				10,000		65
Total Assets	<u>\$ 131,352</u>	<u>\$ 5,402</u>	<u>\$ 155,803</u>	<u>\$ 52,441</u>	<u>\$ 1,819</u>	<u>\$ 4,627</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Unearned revenue	\$ _____	\$ _____	\$ _____	\$ 10,000	\$ _____	\$ _____
Fund Balances:						
Nonspendable			103,542			
Restricted			52,261	42,441		
Committed	131,352	5,402			1,819	4,627
Assigned						
Total fund balances	<u>131,352</u>	<u>5,402</u>	<u>155,803</u>	<u>42,441</u>	<u>1,819</u>	<u>4,627</u>
Total Liabilities and Fund Balances	<u>\$ 131,352</u>	<u>\$ 5,402</u>	<u>\$ 155,803</u>	<u>\$ 52,441</u>	<u>\$ 1,819</u>	<u>\$ 4,627</u>

(Continued on next page)

**TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2014**

	Debt Service	Capital Projects		
	Debt Service Fund	Open Space Fund	Silver Spring Road Fund	Total
ASSETS				
Cash and cash equivalents	\$	\$ 24,770	\$	\$ 262,607
Loans receivable				103,542
Due from other funds	495,242		140,079	645,386
Total Assets	\$ 495,242	\$ 24,770	\$ 140,079	\$ 1,011,535
LIABILITIES AND FUND BALANCES				
Liabilities:				
Unearned revenue	\$	\$	\$	\$ 10,000
Fund Balances:				
Nonspendable				103,542
Restricted				94,702
Committed		24,770	140,079	308,049
Assigned	495,242			495,242
Total fund balances	495,242	24,770	140,079	1,001,535
Total Liabilities and Fund Balances	\$ 495,242	\$ 24,770	\$ 140,079	\$ 1,011,535

**TOWN OF HADDAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds					
	Medical Insurance Reserve Fund	Material Testing	Small Cities Escrow Fund	Grants	Town Clerk	Historic Documents Preservation
Revenues:						
Intergovernmental	\$	\$	\$	\$ 36,924	\$	\$
Charges for services					2,433	11,149
Interest income	131	31	168	15		
Miscellaneous		16,583				
Total revenues	<u>131</u>	<u>16,614</u>	<u>168</u>	<u>36,939</u>	<u>2,433</u>	<u>11,149</u>
Expenditures:						
Current:						
General government			4,060	20,792	614	24,094
Public works		33,422				
Debt service						
Total expenditures	<u>-</u>	<u>33,422</u>	<u>4,060</u>	<u>20,792</u>	<u>614</u>	<u>24,094</u>
Excess (Deficiency) of Revenues over Expenditures	131	(16,808)	(3,892)	16,147	1,819	(12,945)
Other Financing Sources:						
Transfers in						
Net Change in Fund Balances	131	(16,808)	(3,892)	16,147	1,819	(12,945)
Fund Balances at Beginning of Year	<u>131,221</u>	<u>22,210</u>	<u>159,695</u>	<u>26,294</u>		<u>17,572</u>
Fund Balances at End of Year	<u>\$ 131,352</u>	<u>\$ 5,402</u>	<u>\$ 155,803</u>	<u>\$ 42,441</u>	<u>\$ 1,819</u>	<u>\$ 4,627</u>

(Continued on next page)

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, 2014

	<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	\$	\$	\$	\$ 36,924
Charges for services				13,582
Interest income		118		463
Miscellaneous				16,583
Total revenues	<u>-</u>	<u>118</u>	<u>-</u>	<u>67,552</u>
Expenditures:				
Current:				
General government				49,560
Public works				33,422
Debt service	210,665			210,665
Total expenditures	<u>210,665</u>	<u>-</u>	<u>-</u>	<u>293,647</u>
Excess (Deficiency) of Revenues over Expenditures	(210,665)	118	-	(226,095)
Other Financing Sources:				
Transfers in	100,000			100,000
Net Change in Fund Balances	(110,665)	118	-	(126,095)
Fund Balances at Beginning of Year	605,907	24,652	140,079	1,127,630
Fund Balances at End of Year	<u>\$ 495,242</u>	<u>\$ 24,770</u>	<u>\$ 140,079</u>	<u>\$ 1,001,535</u>

***Fiduciary
Funds***

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2014</u>
Performance Bonds				
Assets:				
Cash	\$ <u>335,173</u>	\$ <u>136,684</u>	\$ <u>232,001</u>	\$ <u>239,856</u>
Liabilities:				
Due to others	\$ <u>335,173</u>	\$ <u>136,684</u>	\$ <u>232,001</u>	\$ <u>239,856</u>

***Trend
Information***

TABLE 1

TOWN OF HADDAM, CONNECTICUT

NET POSITION BY COMPONENT
LAST TEN YEARS
(UNAUDITED)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 19,169,725	\$ 18,323,649	\$ 17,438,822	\$ 16,317,621	\$ 15,755,793	\$ 14,815,567	\$ 15,916,877	\$ 16,107,897	\$ 9,184,834	\$ 8,568,031
Restricted	94,702	82,447	87,060	87,764	48,867					
Unrestricted	<u>8,220,600</u>	<u>8,282,367</u>	<u>7,878,607</u>	<u>6,188,472</u>	<u>5,150,759</u>	<u>5,676,057</u>	<u>5,667,297</u>	<u>5,391,095</u>	<u>5,284,889</u>	<u>4,922,145</u>
Total Net Position	<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>	<u>\$ 14,469,723</u>	<u>\$ 13,490,176</u>

TABLE 2

TOWN OF HADDAM, CONNECTICUT

CHANGES IN NET POSITION
LAST TEN YEARS
(UNAUDITED)

	FISCAL YEAR									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
General government	\$ 2,232,172	\$ 2,506,887	\$ 2,472,043	\$ 2,355,631	\$ 2,547,120	\$ 1,929,138	\$ 2,016,661	\$ 2,456,827	\$ 2,001,273	\$ 1,899,177
Public safety	1,082,302	1,178,583	1,195,176	1,056,072	1,043,980	1,188,301	1,220,469	1,124,589	961,663	892,446
Public works	2,673,437	2,340,587	1,412,438	2,564,669	3,700,466	4,108,764	3,305,680	3,139,530	2,035,690	1,989,045
Health and welfare	297,313	296,389	329,147	352,571	339,877	409,605	391,446	321,106	233,214	160,918
Culture and recreation	572,906	582,330	535,359	540,592	536,160	530,433	552,744	435,690	451,744	362,982
Education	21,414,632	20,918,591	20,170,062	19,463,675	19,468,254	20,293,804	18,488,983	17,273,280	15,658,930	14,580,398
Interest expense	184,219	33,854	9,320	13,031	20,194	34,279	42,260	40,839	28,725	
Total Expenses	28,456,981	27,857,221	26,123,545	26,346,241	27,656,051	28,494,324	26,018,243	24,791,861	21,371,239	19,884,966
Program Revenues:										
General government	423,919	418,171	368,252	319,985	425,926	419,565	599,345	644,743	682,703	652,498
Public safety	41,405	3,616	27,230	19,990	9,118	10,785	12,345	9,058	12,584	13,618
Public works	18,933	2,550	1,700	6,383	2,010	550	1,360	2,090	6,307	34,408
Culture and recreation						19,004			19,587	18,891
Operating grants and contributions	1,842,432	1,905,281	1,923,734	1,483,498	1,550,295	1,762,836	1,677,879	1,271,973	1,306,653	1,276,245
Capital grants and contributions	323,388	445,476	930,657	1,028,344	1,817,785	287,594	1,027,392	16,190	399,435	242,888
Total Program Revenues	2,650,077	2,775,094	3,251,573	2,858,200	3,805,134	2,500,334	3,318,321	1,944,054	2,427,269	2,238,548
Net Expenses	(25,806,904)	(25,082,127)	(22,871,972)	(23,488,041)	(23,850,917)	(25,993,990)	(22,699,922)	(22,847,807)	(18,943,970)	(17,646,418)
General Revenues:										
Property taxes	26,373,612	26,202,674	25,321,337	24,872,125	23,938,914	23,467,854	21,935,162	21,154,404	19,390,521	17,621,212
Grants and contributions not restricted to specific programs	136,918	140,529	202,899	216,196	223,728	290,385	375,286	288,371	250,159	226,632
Investment income	21,559	18,235	29,394	36,014	75,386	88,462	313,285	332,208	229,638	120,108
Miscellaneous	71,379	4,663	128,974	2,144	3,252	1,054,739	161,371	229,774	53,199	12,879
Total General Revenues	26,603,468	26,366,101	25,682,604	25,126,479	24,241,280	24,901,440	22,785,104	22,004,757	19,923,517	17,980,831
Changes in Net Position	\$ 796,564	\$ 1,283,974	\$ 2,810,632	\$ 1,638,438	\$ 390,363	\$ (1,092,550)	\$ 85,182	\$ (843,050)	\$ 979,547	\$ 334,413

TABLE 3

TOWN OF HADDAM, CONNECTICUT

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(UNAUDITED)**

		FISCAL YEAR									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
5	General fund:										
	Committed	\$	\$	\$	\$	\$	\$ 2,072,947	\$ 1,103,034	\$ 1,017,803	\$ 614,442	\$ 1,088,694
	Unassigned	<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>	<u>2,298,878</u>	<u>1,741,047</u>
	Total General Fund	<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>	<u>2,913,320</u>	<u>2,829,741</u>
	All other governmental funds:										
	Nonspendable	103,542	103,542	103,542	86,338	96,338	96,338	96,338	126,585	116,585	142,900
	Restricted	94,702	82,447	87,060	87,764	48,867					
	Committed	2,863,616	2,677,302	3,122,005	3,557,058	2,964,149	915,168	984,022	1,077,536	1,002,661	1,033,779
	Assigned	495,242	605,907								
	Unassigned	<u></u>	<u></u>	<u>(2,372,251)</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
	Total All Other Governmental Funds	<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>	<u>1,119,246</u>	<u>1,176,679</u>
	Grand Total	\$ <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>	\$ <u>4,032,566</u>	\$ <u>4,006,420</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									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:											
Property taxes	\$	26,605,805	\$ 26,074,511	\$ 25,282,077	\$ 24,955,511	\$ 23,772,257	\$ 23,260,475	\$ 22,035,328	\$ 21,436,229	\$ 19,223,289	\$ 17,720,281
Intergovernmental		2,350,169	2,321,156	2,659,811	2,124,657	1,944,228	2,340,816	2,463,880	1,576,533	1,956,248	1,745,765
Charges for services		472,122	429,002	449,408	348,485	440,306	453,993	763,427	680,073	726,883	719,415
Income from investments		21,559	18,235	29,394	35,752	75,124	88,462	313,285	332,208	229,638	120,108
Other		16,583		8,377	52,131	1,250	1,050,649	10,994		40,567	3,987
Total Revenues		29,466,238	28,842,904	28,429,067	27,516,536	26,233,165	27,194,395	25,586,914	24,025,043	22,176,625	20,309,556
Expenditures:											
Current:											
General government		2,205,925	2,454,567	2,546,891	2,229,545	2,430,042	2,613,575	2,271,570	1,957,629	2,191,756	1,603,849
Public safety		875,619	854,064	805,422	786,289	764,676	707,281	734,567	676,517	613,659	582,576
Public works		2,126,331	2,003,961	2,043,021	2,150,867	1,990,610	2,348,543	1,704,170	1,636,839	1,836,369	1,820,973
Health and welfare		297,313	296,389	329,147	352,571	339,877	302,024	291,782	254,649	196,159	149,229
Culture and recreation		518,521	513,115	497,520	502,753	498,885	466,090	452,043	387,991	393,857	348,820
Education		21,414,633	20,918,591	20,170,062	19,463,675	19,468,254	20,293,804	18,488,983	17,273,280	15,658,930	14,580,398
Debt service:											
Principal		184,099	42,313	40,600	73,988	327,236	192,103	188,910	195,118	125,000	
Interest		76,487	122,669	9,321	13,031	13,417	34,279	42,260	40,839	28,725	
Capital outlay		1,600,866	1,502,821	4,154,386	775,223	1,220,392	584,040	957,805	659,914	1,506,524	2,011,397
Total Expenditures		29,299,794	28,708,490	30,596,370	26,347,942	27,053,389	27,541,739	25,132,090	23,082,776	22,550,979	21,097,242
Excess (Deficiency) of Revenues over Expenditures		166,444	134,414	(2,167,303)	1,168,594	(820,224)	(347,344)	454,824	942,267	(374,354)	(787,686)
Other Financing Sources (Uses):											
Capital lease									165,948	400,500	
Issuance of debt			2,800,000								750,000
Bond premium			70,557								
Proceeds from sale of property		19,500				877,500					
Transfers in		1,765,881	1,093,103	1,295,102	1,269,758	1,631,707	15,379	10,000	25,900	409,737	36,000
Transfers out		(1,765,881)	(1,093,103)	(1,295,102)	(1,269,758)	(1,631,707)	(15,379)	(10,000)	(25,900)	(409,737)	(36,000)
Total Other Financing Sources		19,500	2,870,557	-	-	877,500	-	-	165,948	400,500	750,000
Net Change in Fund Balances	\$	185,944	\$ 3,004,971	\$ (2,167,303)	\$ 1,168,594	\$ 57,276	\$ (347,344)	\$ 454,824	\$ 1,108,215	\$ 26,146	\$ (37,686)
Debt Service as a Percentage to Noncapital Expenditures											
		0.95%	0.61%	0.24%	0.34%	1.32%	0.84%	0.96%	1.05%	0.73%	0.00%

TABLE 5

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

	Year Ended June 30	Grand List	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		
10	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%	29.48
	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%	28.99
	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
	2006	2004	507,460,450	724,943,500	54,023,600	50,744,939	104,768,539	149,669,341	612,228,989	874,612,841	70.00%	31.00
	2005	2003	493,786,170	705,408,814	49,088,526	48,321,189	97,409,715	139,156,736	591,195,885	844,565,550	70.00%	29.50

* Revaluation performed for Grand List year

TABLE 6

TOWN OF HADDAM, CONNECTICUT

**PRINCIPAL TAXPAYERS
2012 GRAND LIST
(UNAUDITED)**

Taxpayer	(1) Assessment	Rank	Percent of Net Taxable Grand List
Connecticut Yankee Atomic Power Company	\$ 40,640,950	1	4.51%
Connecticut Light & Power	29,029,120	2	3.22%
MCAP Sabine Pointe LLC	5,642,820	3	0.63%
Riverhouse Properties, LLC	2,133,590	4	0.24%
Rodgers Realty LLC	1,845,980	5	0.20%
The Davidson Company	1,815,980	6	0.20%
Camp Bethel Association Inc	1,579,960	7	0.18%
Bridge Street Associates	1,464,880	8	0.16%
Touchtone Development Association, LLC	1,412,290	9	0.16%
Goldblatt Steven and Patricia C	967,970	10	0.11%
	<u>\$ 86,533,540</u>		<u>9.61%</u>

Source: Town Assessor Department.

(1) The net taxable grand list as of October 1, 2011 totaled \$902,128,412

TABLE 7

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
2014	29.48	2012	\$ 26,502,050	\$ 26,201,284	98.9%	\$	\$ 26,201,284	98.9%	\$ 300,766
2013	28.99	2011	25,987,612	25,722,557	99.0%	139,681	25,862,238	99.5%	125,374
2012	28.23	2010	25,123,509	24,809,142	98.7%	166,941	24,976,083	99.4%	147,426
2011	27.40	2009	24,653,639	24,322,687	98.7%	254,049	24,576,736	99.7%	76,903
2010	26.40	2008	23,381,524	23,079,561	98.7%	263,214	23,342,775	99.8%	38,749
2009	26.00	2007	22,944,559	22,591,741	97.3%	333,864	22,925,605	99.9%	18,954
2008	25.00	2006	21,607,722	21,272,155	98.4%	320,006	21,592,161	99.9%	15,561
2007	25.00	2005	21,847,411	20,814,348	95.3%	473,865	21,288,213	97.4%	559,198
2006	31.00	2004	19,021,004	18,714,843	98.4%	293,155	19,007,998	99.9%	13,006
2005	29.50	2003	17,512,166	17,237,225	98.4%	263,247	17,500,472	99.9%	11,694

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		
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	N/A	77
2008		375,000	432,420	807,420	N/A	102
2007		500,000	496,330	996,330	N/A	129
2006		625,000	400,500	1,025,500	N/A	132
2005		750,000		750,000	N/A	98

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

The Town had no debt before fiscal year 2005

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
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
2006	7,743		612,228,989		1,025,500	0.17%	132
2005	7,653		591,195,885		750,000	0.13%	98

Sources:

- (1) CT Health Department
- (2) Town Assessor's Department
- (3) From Table 8

TABLE 10

TOWN OF HADDAM, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Total tax collections (including interest and lien fees) for current year \$ 26,568,504

Reimbursement for revenue loss on:

Tax relief for elderly freeze 47,264

Base for Debt Limitation Computation \$ 26,615,768

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 59,885,478	\$	\$	\$	\$
4 1/2 times base		119,770,956			
3 3/4 times base			99,809,130		
3 1/4 times base				86,501,246	
3 times base					79,847,304
	<u>59,885,478</u>	<u>119,770,956</u>	<u>99,809,130</u>	<u>86,501,246</u>	<u>79,847,304</u>
Total debt limitation	<u>59,885,478</u>	<u>119,770,956</u>	<u>99,809,130</u>	<u>86,501,246</u>	<u>79,847,304</u>
Indebtedness:					
Bonds payable	2,660,000				
Haddam share of Regional School District No. 17 debt		7,648,668			
	<u>2,660,000</u>	<u>7,648,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>2,660,000</u>	<u>7,648,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u><u>57,225,478</u></u>	\$ <u><u>112,122,288</u></u>	\$ <u><u>99,809,130</u></u>	\$ <u><u>86,501,246</u></u>	\$ <u><u>79,847,304</u></u>
The total net indebtedness above amounts to:					\$ <u><u>10,308,668</u></u>
In no event shall total indebtedness exceed seven times the base for debt limitation computation					\$ <u><u>186,310,376</u></u>

TABLE 11

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
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%
2006	134,037,064	17,898,280	116,138,784	13.35%
2005	124,328,302	14,621,000	109,707,302	11.76%

TABLE 12

TOWN OF HADDAM, CONNECTICUT

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(UNAUDITED)**

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		
2014	8,308	\$ 89,184	42	24%	11%	43%	1,328	5%
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%
2006	7,743	(6)	(6)	(6)	(6)	(6)	1,271	(6)
2005	7,653	78,571	40	31%	27%	34%	1,289	(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

TABLE 13**TOWN OF HADDAM, CONNECTICUT****PRINCIPAL EMPLOYERS****JUNE 30, 2014****(UNAUDITED)**

Employer	Rank
Regional School District No. 17	1
River House	2
Town of Haddam	3
Country Market	4
The Saybrook at Haddam	5

Sources: First Selectman's Office Town of Haddam