

OFFICIAL STATEMENT DATED NOVEMBER 3, 2015

REFUNDING ISSUE

STANDARD & POOR'S RATING: AA+
(See "Ratings" herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds may be includable in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax on such corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax. See Appendix B – Form of Opinion of Bond Counsel and Tax Matters herein.

TOWN OF EAST HADDAM, CONNECTICUT

\$9,165,000

GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2015

**(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

Dated: Date of Delivery

The Bonds will be general obligations of the Town of East Haddam, Connecticut (the "Town"), and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See "Security and Remedies" herein.

Interest on the Bonds will be payable semiannually on the fifteenth day of May and November of each year, commencing May 15, 2016. The Bonds are subject to redemption prior to maturity as more fully described herein. See "Optional Redemption" herein.

The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 for the Bonds or any integral multiple thereof. The Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry Transfer System" herein.

The Certifying Agent, Transfer Agent, Registrar, Paying and Escrow Agent for the Bonds will be U.S. Bank National Association in Hartford, Connecticut.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Due: Serially, May 15, as shown below

MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
2019	\$970,000	4.000 %	1.000 %	272623HJ1	2024	\$890,000	3.000 %	1.900 % *	272623HP7
2020	975,000	3.000	1.200	272623HK8	2025	890,000	2.500	2.050 *	272623HQ5
2021	965,000	2.000	1.400	272623HL6	2026	875,000	2.500	2.150 *	272623HR3
2022	950,000	4.000	1.600	272623HM4	2027	855,000	2.750	2.250 *	272623HS1
2023	950,000	4.000	1.770	272623HN2	2028	845,000	2.750	2.400 *	272623HT9

* - Priced assuming redemption on May 15, 2023, however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

PiperJaffray

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford Connecticut. It is expected that the delivery of the Bonds in definitive form will be made on or about November 19, 2015 through the facilities of DTC.

No dealer, broker, salesman or other person has been authorized by the Town of East Haddam, Connecticut (the "Town") to give any information or to make any representations, other than those contained in this Official Statement; in connection with the offering made hereby, and if given or made, such other information or representation must not be relied upon as having been authorized by the Town.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date of this Official Statement.

Other than as to matters expressly set forth in Appendix A – "Audited Financial Statements" herein, the independent auditors for the Town are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same. The independent auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The independent auditor also has not performed any procedures relating to this Official Statement.

Other than as to matters expressly set forth in Appendix B - "Form of Opinion of Bond Counsel and Tax Matters" herein, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

Independent Bond and Investment Consultants LLC, the Town's Municipal Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. Independent Bond and Investment Consultants LLC does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

The Bond have not been registered under the Securities Act of 1933, as amended, nor have the Bonds been registered under any state securities laws.

The Town considers this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the U.S. Securities and Exchange Commission, the Town will agree to provide, or cause to be provided (i) annual financial information and operating data, (ii) notice of the occurrence of certain events with respect to the Bonds within 10 business days of the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Continuing Disclosure Agreement shall be executed in substantially the form attached as Appendix C to this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

BOND COUNSEL
UPDIKE, KELLY & SPELLACY, P.C.

Hartford, Connecticut
(860) 548-2600

MUNICIPAL ADVISOR
**INDEPENDENT BOND AND
INVESTMENT CONSULTANTS LLC**

Madison, Connecticut
(203) 245-8715

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SECTION I – SECURITIES OFFERED

Introduction

The purpose of this Official Statement is to provide certain financial information and supplementary economic and demographic data relevant to the Town of East Haddam, Connecticut (the “Town”) in connection with the sale of \$9,165,000 General Obligation Refunding Bonds, Issue of 2015 (the “Bonds”) of the Town.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement other than matters expressly set forth in its opinion in Appendix B and makes no representation that it has independently verified the same.

Description of the Bonds

The Bonds will be dated the date of delivery, and will mature on May 15 in each of the years and in the principal amounts as set forth on the cover page hereof. Interest on the Bonds will be payable semiannually on the fifteenth day of May and November of each year until maturity, commencing May 15, 2016. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owners as of the close of business on the last business day of April and October in each year. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof (except for any odd amount), with transfers effected on the records of The Depository Trust Company New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry Transfer System” herein. The Registrar and the Certifying, Transfer, Paying and Escrow Agent on the Bonds will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Updike, Kelly & Spellacy, P.C., of Hartford, Connecticut, in substantially the form set forth in Appendix B to this Official Statement. **The Bonds are subject to redemption prior to maturity. See "Optional Redemption" herein.**

The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Optional Redemption

The Bonds maturing on or before May 15, 2023 are not subject to redemption prior to maturity. The Bonds maturing on May 15, 2024 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after May 15, 2023, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, at the following redemption price, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
May 15, 2023 and thereafter	100.0%

Notice of Redemption

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amounts of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

Ratings

The Bonds have been rated “AA+” by Standard & Poor’s Rating Services (“S&P”). The underlying rating on the Town’s outstanding bonds has recently been affirmed as “AA+” by S&P. Such rating reflects only the view of the rating agency and is subject to revision or withdrawal if, in the judgment of the rating agency, circumstances so warrant, which could affect the market price of the Bonds. There is no assurance that the rating will continue for any given period of time. The rating agency should be contacted directly for its rating on the Bonds and the explanation of such rating.

Authorization and Plan of Refunding

The Bonds are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and a refunding bond resolution adopted by the Board of Selectmen at a meeting held on May 7, 2014 authorizing the issuance of refunding bonds in an amount not to exceed \$11,000,000 to refund a portion of the outstanding maturities of the Town's general obligation bonds, including, but not limited to, the bonds (the "Refunded Bonds") listed herein. The refunding is contingent upon delivery of the Bonds.

<u>Issue</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2008	5/15/2008	5/15/2019	\$ 920,000	4.000 %	5/15/2018	100.00 %
2008	5/15/2008	5/15/2020	925,000	4.000	5/15/2018	100.00
2008	5/15/2008	5/15/2021	925,000	4.000	5/15/2018	100.00
2008	5/15/2008	5/15/2022	925,000	4.000	5/15/2018	100.00
2008	5/15/2008	5/15/2023	925,000	4.125	5/15/2018	100.00
2008	5/15/2008	5/15/2024	875,000	4.125	5/15/2018	100.00
2008	5/15/2008	5/15/2025	875,000	4.250	5/15/2018	100.00
2008	5/15/2008	5/15/2026	875,000	4.250	5/15/2018	100.00
2008	5/15/2008	5/15/2027	875,000	4.300	5/15/2018	100.00
2008	5/15/2008	5/15/2028	875,000	4.375	5/15/2018	100.00
Total			<u>\$ 8,995,000</u>			

Upon delivery of the Bonds, a portion of the proceeds of the Bonds will be placed in an irrevocable escrow deposit fund (the "Escrow Deposit Fund") established with U.S. Bank National Association of Hartford, Connecticut, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") to be dated the date of delivery between the Escrow Agent and the Town. The Escrow Agent will deposit the net proceeds of the Bonds and other monies, if any, into the Escrow Deposit Fund and will use such proceeds and other monies, as applicable, to purchase a portfolio of United States Treasury securities or any other securities permitted by Section 7-400 of the Connecticut General Statutes, as amended, all of which shall not be callable or pre-payable at the option of the issuer thereof (the "Escrow Securities"). All investment income on, and maturing principal of, the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest payments

and redemption prices of the Refunded Bonds will be applied by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance, including the underwriter's discount.

The Connecticut General Statutes provide that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal of and interest on the bonds to be refunded by such refunding bonds, such bonds are no longer counted in computing the Town's debt for statutory debt limitation purposes.

Verification of Mathematical Computations

Barthe & Wahrman, a Professional Association, will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of: (1) the computations contained in the Underwriter's schedules to determine that the anticipated receipts from the Escrow Securities and cash deposits to be held in escrow, if any, will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, of the Refunded Bonds, and (2) the computations of yield on the Bonds and the Escrow Securities contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for federal income tax purposes. Barthe & Wahrman, a Professional Association, will express no opinion on the assumptions provided to them.

Sources and Uses of Bond Proceeds

Sources:

Par Amount	\$ 9,165,000.00
Net Original Issue Premium	660,673.95
Total Sources	<u>\$ 9,825,673.95</u>

Uses:

Deposit to Escrow Deposit Fund	\$ 9,693,619.21
Underwriter's Discount	43,428.55
Costs of Issuance	88,626.19
Total Uses	<u>\$ 9,825,673.95</u>

Security and Remedies

The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds and notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions

of Federal bankruptcy laws, as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds, notes or other obligations.

Qualification for Financial Institutions

The Bonds **shall** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Replacement Bonds

The Town will provide for the issuance of fully registered bond certificates directly to the Beneficial Owners of the Bonds or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither the Town, the Paying Agent nor the Underwriter will have any responsibility or obligation to the Participants of DTC or the persons for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Participant of DTC of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds, or (iv) any other actions taken by DTC or its partnership nominees as owner of the Bonds.

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the “Underwriter”), pursuant to the terms of a bond purchase agreement for the Bonds with the Town (the “Bond Purchase Agreement”). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Town at the net aggregate purchase price of \$9,782,245.40 (consisting of the par amount of \$9,165,000.00, plus net original issue premium of \$660,673.95, less underwriter’s discount of \$43,428.55). The Underwriter will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower or yields higher than the public offering prices or yields stated on the cover page hereof. The initial offering prices or yields may be changed, from time to time, by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Pershing LLC Distribution Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Pershing LLC Distribution Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

The Underwriter has entered into a distribution agreement (the “CS & Co. Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS & Co.”) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS & Co. Distribution Agreement, CS & Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS & Co. sells.

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SECTION II – THE ISSUER

Description of the Town

The Town of East Haddam, Connecticut, located along the Connecticut River, was settled in 1685 and incorporated as a Town in 1734. East Haddam has been characterized as a rural, independent community composed of several unique villages and neighborhoods, including Millington, Hadlyme, North Plains, Leesville, Johnsonville, Moodus, Little Haddam, and the East Haddam Landings. Moodus is named for its famed “Moodus Noises,” strange, audible rumblings that are seismic in origin and that figure prominently in Native American folklore. Moodus was also the site of a dozen water-powered textile mills during the nineteenth century.

The Town covers an area of 56.7 square miles and has a population of 9,120 as estimated by the Bureau of Census, 2009-2013 American Community Survey. East Haddam is located in Middlesex County and is bordered by East Hampton on the north, Colchester on the northeast, Salem on the east, Lyme on the southeast, Chester on the southwest, and Haddam on the west. The Town is situated almost exactly between New York and Boston, making the Town an attractive bedroom community for commuters. The Town is served by State Routes 82, 151, and 149 on the east side of the Connecticut River and has easy access to Routes 2 and 9, which are multi-lane divided State highways running north and south connecting with Interstate Highways 91, 95, and 395. General mass transportation is provided by bus service out of Middletown and Amtrak Rail passenger service on the Washington/New York/Boston line out of Old Saybrook. The Goodspeed Airport is located in the Town and caters to small, private aircraft. Bradley International Airport in Windsor Locks is located approximately 50 minutes to the northwest.

East Haddam has much to offer for local and regional tourism. The Town has numerous summer resorts, four large State parks, numerous lakes, rivers and streams, a reservoir, agricultural lands, scenic open spaces, and historic places, including the Goodspeed Opera House which offers a variety of musicals and other shows for theater-goers. There are docking facilities for recreational river cruise line vessels on the Connecticut River south of the Goodspeed Opera House. The East Haddam swing bridge, reputed to be the longest swing bridge in the world, sits directly across from the Goodspeed. At 819 feet, it was built in 1913. The bridge opens to recreation traffic on the hour and half hour.

East Haddam is also the home to the headwaters of the Eight Mile River, which runs through a greenway to protected open space. The Devil’s Hopyard State Park protects the Eight Mile River as it tumbles over a rushing waterfall and through a hemlock gorge. The Salmon River borders the Town to the north and is the site of a State project to restore anadromous fish to Connecticut River tributaries.

Located in town is Gillette State Park, site of Gillette Castle, which was built by actor William Gillette, best known for his role as Sherlock Holmes. Construction was completed in 1919 for \$1 million on the estate of 184 acres. Each year the castle attracts over 200,000 visitors.

East Haddam’s economy is based on small business, service industry, and tourism. Brownell and Co. Inc., the Town’s oldest industry, began as a cotton textile company. The company transitioned to nylon twine, cordage, and fish and cargo nets, and today it is a leader in specialized archery supplies. Sales of building, plumbing and heating supplies, and various home-based businesses comprise some of the other industries in the Town.

In 2003, Franklin Academy opened as a private, nonprofit, co-educational boarding and day school that educates children in grades 9–12 with nonverbal learning disabilities. The school, which sits on a 75-acre campus in Town, is accredited by the New England Association of Schools and Colleges.

There are four separate tax districts within the territorial limits of the Town of East Haddam. They are Sunset Acres Association of Bashan Lake, Property Owners Association of Moodus Lake Shores, Property Owners Association of Lake Hayward, and Laurel Cove Association.

Government Organization

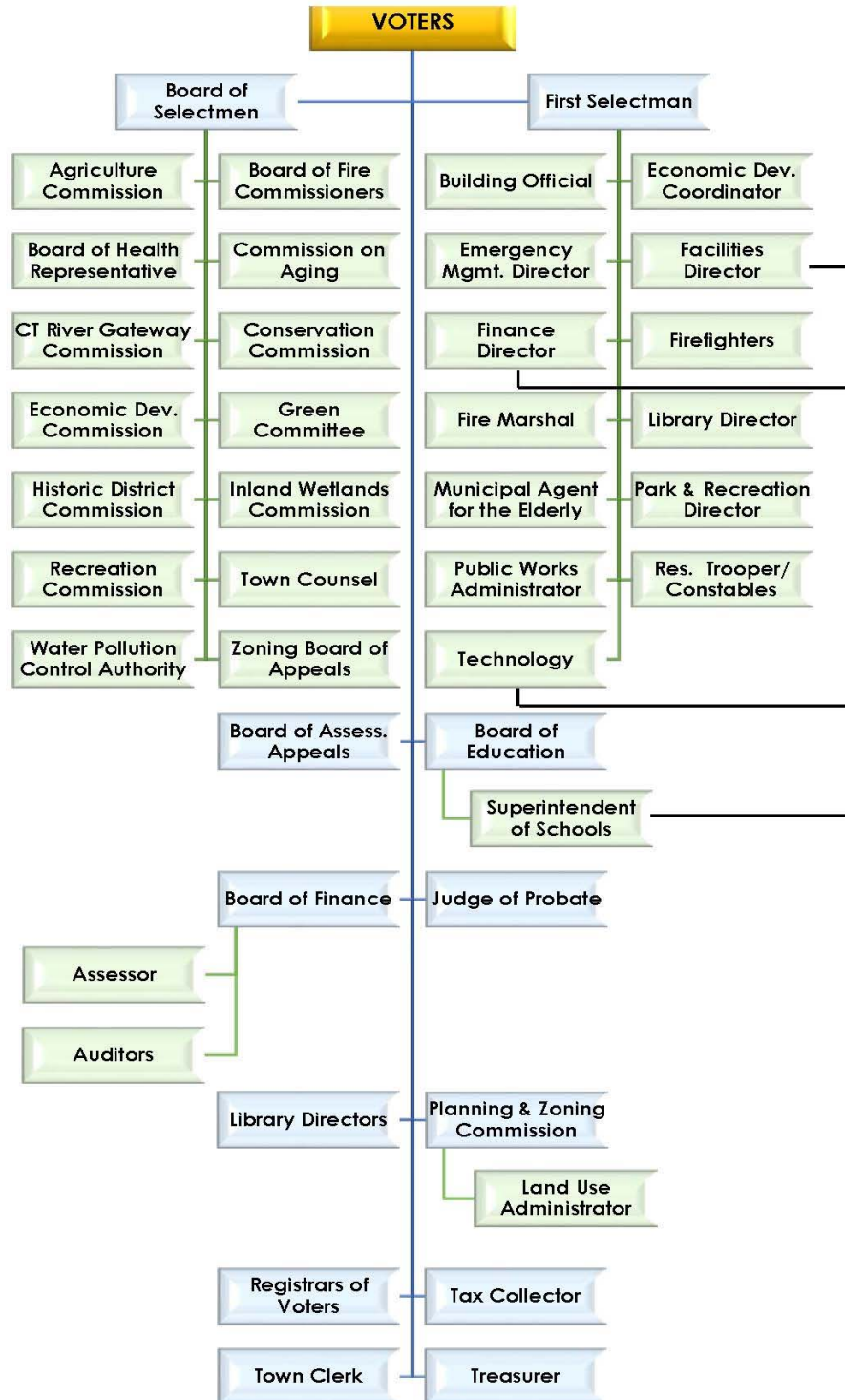
The Town operates with a Board of Selectmen, Board of Finance and Town Meeting under the provisions of the Connecticut General Statutes. The Town of East Haddam does not have a charter. The Board of Selectmen consists of three elected members serving concurrent two-year terms. The Board of Finance consists of six elected members serving overlapping four-year terms. The Town Meeting exercises the legislative power of the Town and must approve the annual budget, all special appropriations or expenditures over \$20,000, and all bond and note authorizations, except for refunding bonds, which only require approval by the Board of Selectmen. The First Selectman, who is a member of the Board of Selectmen, is the chief executive officer of the Town and is responsible for the administration of all Town matters with the exception of the educational system. The Finance Director is responsible for the financial operations of the Town.

The Board of Finance is the budget-making authority and is responsible for the Town’s financial and taxation matters, presenting the annual fiscal budget for the Annual Budget Meeting’s approval, and establishing the tax rate.

The Board of Education is the Town’s policy-making body for grades pre-kindergarten through twelve.

The Town has the power to incur indebtedness by issuing bonds and notes as provided by the Connecticut General Statutes.

Organizational Chart



Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service</u>
First Selectman	Mark B. Walter	Elected / 2 years	11/07 to date
Selectman	Emmett J. Lyman	Elected / 2 years	11/07 to date
Selectman	Ernest P. Malavasi	Elected / 2 years	11/13 to date
Town Clerk	Debra H. Denette	Elected / 2 years	01/04 to date
Tax Collector	Denise L. Dill	Elected / 2 years	11/09 to date
Finance Director	Cynthia R. Varricchio	Appointed	08/09 to date
Treasurer	Kathleen A. Klinck	Elected / 2 years	11/99 to date
Superintendent of Schools	Brian S. Reas	Appointed	08/14 to date

Summary of Municipal Services

Police: The Town has one Resident State Trooper out of Troop K, Colchester, of the Connecticut State Police Department, three full-time officers, with one more full-time officer to be hired by the end of calendar year 2015 and three part-time constables.

Fire: Fire protection is provided by the East Haddam Volunteer Fire Department in conjunction with the appointed three-member Board of Fire Commissioners. The Department has 31 fully trained firefighters and 11 fire police volunteers operating three fully equipped volunteer fire companies. The Town also employs one full-time and three part-time paid firefighters/EMTs. The neighboring Towns of East Hampton, Haddam, Colchester, Lyme and Salem provide mutual aid to East Haddam when necessary or as requested.

Sewer and Water: The East Haddam Village sewer project was completed in the spring of 1998. The Sewer District currently serves 150 residential and commercial units, including the Goodspeed Opera House, the Gelston House Restaurant and the Town Office Complex. The wastewater control plant is located behind the Goodspeed Airport and structurally blends within the historic district. The plant has a 55,000-gallon-per-day capacity and a reserve between 30–40%. The project was funded by grants from Rural Economic Community Development and a grant/loan from the Connecticut Department of Environmental Protection Clean Water Fund. Developed properties outside the Sewer District are served by private on-site septic systems. The Town has no public water facilities.

Additionally, the Town is party to an inter-municipal agreement for effluent waste disposal. The Town of East Hampton has agreed to accept effluent from East Haddam and other towns.

Solid Waste: The Town has a State-approved solid waste transfer station located on Town-owned property. Household refuse is brought to the station by residents or commercial haulers privately contracted. Compacted refuse is hauled by Willimantic Waste Paper Company for disposal. The Town has a five-year contract with Willimantic Waste Paper Company, which expires in June 2019. It does not require the guarantee of a minimum tonnage. The tipping fee for fiscal year 2015-16 is \$62.42 per ton. Willimantic Waste is paid \$144.20 per trip for hauling. The tipping and hauling fees are paid as part of the Town’s annual operating budget.

Recycling: In fiscal year 2014–15 the Town recycled in excess of 1,090 tons of all types of recyclables, or over 230 pounds per person.

Roads: The Town maintains 118.70 miles of local roads of which 100.95 miles are paved and 17.75 miles are unpaved.

Health Services: The Town joined the Chatham Health District in July 2002. This six-town district provides services to the Town that include well and septic permitting, nursing services, food inspections, water quality testing, and all other health-related services. The Town’s budgeted contributions for fiscal year 2015-2016 are \$85,952. Contributions are based on a per capita rate that is set annually. The fiscal year 2015–16 per capita rate is \$9.40.

Open Space: The Town has vast expanses of forestland, numerous lakes, rivers and streams, agricultural lands, and scenic open spaces. It has extensive frontage on the Connecticut River, which includes open space areas held by the State at Gillette Castle State Park, Rich Island, Lord’s Island, and open space areas held by The Nature Conservancy and East Haddam Land Trust on Chapman’s Pond. The State of Connecticut also has owned Brainard Homestead State Park and Devil’s Hopyard

State Park along with certain development rights to the Cone's and Dill's Farmland for many years. Over the past twenty years, the Town has actively partnered with the State of Connecticut, The Nature Conservancy and other conservation groups to purchase additional acres of land. The East Haddam Open Space Acquisition Ordinance, adopted in June 1998, established a reserve fund for the Town to acquire parcels of land for preservation, development rights and/or future municipal needs. On January 28, 2003, the Town authorized the issuance of bonds in the amount of \$5,000,000 for future open space acquisition. Recent purchases by the collective groups have included 300 acres at the Mt. Tom/Echo Farm site (now called Machimoodus State Forest); 293 acres of additional land in Babcock Wildlife Management Area; the Freestone property which consists of 312 acres, now called the Eight Mile River Wildlife Management Area; 86 acres known as the Urbanik parcel; the Lord Wellington subdivision, which consists of another 30 acres; the purchase of the 115-acre LeFebvre parcel on Jones Hill; and the purchase of the 70-acre Sabine parcel on the Moodus Reservoir. In 2009 the Town purchased a 5/6 share of the 300-acre Shugrue Farm, the 68-acre Valenti Parcel on Hemlock Valley Brook, and 55 acres next to the Eight Mile River from the Lyons Family, which acquisitions were reimbursed by certain bond proceeds. In 2010 the Town purchased 135 acres from the Harris Family and the development rights for 280 acres from the Dean Family. In 2012 the Town purchased 238 acres known as the Pages property located on Mill Road and 98 acres known as the Zeiller property located on Clark Hill Road. In 2015 the Town purchased 207 acres known as the Lena property on Babcock Road and 19 acres known as the Zeleznicky property on Sarah Baker Road to be reimbursed with the proceeds of future bonds to be issued by the Town.

Libraries: East Haddam is served by the East Haddam Public Library System, composed of two branches- The East Haddam Free Public Library ("EHFPL") and the Rathbun Free Memorial Library. The library system is funded primarily through the Town budget. Support is also received from the East Haddam Free Public Library & Reading Room Association, Inc. Endowment and the Rathbun Free Memorial Library Trust, a bequest from Norris Wheeler Rathbun and Frances Emmons Rathbun. In addition, the library system receives donations from patrons and volunteer groups.

The East Haddam Free Public Library was founded in 1888 by William E. Nichols. The current building was donated by Judge Albert E. Purple in 1919. The Rathbun Free Memorial Library was built in 1935 through a bequest from Norris and Frances Rathbun on the site of their former home. The libraries began as separate association libraries but became municipal libraries with the creation of the East Haddam Public Library System in 2013. Nine trustees are elected at the Town's regular election to serve on the East Haddam Library Board. A single Library System Director manages the daily operations at both locations.

The East Haddam Library System provides various resources to the community including free rentals of books and audio-visual materials, free access to the internet, access to technology, and educational and recreational programming for all ages. Both libraries have strong children's departments, while EHFPL specializes in teen and family resources and the Rathbun Free Memorial Library specializes in adult literature and maintains an extensive local history collection. The East Haddam Library System supplements its materials and resources as a member of LION, a regional library consortium which also provides the ILS (Integrated Library System) software responsible for automating the library catalog.

Senior Housing and Transportation: The Senior Housing Corporation of East Haddam, Inc. is a private non-profit housing corporation, which owns 36 housing units and a community center at Oak Grove in Moodus. A Town medical car is available to seniors for trips to doctor appointments and a bus is available for clinics, shopping, trips and the daily noonday meals at the Nutrition Center. A second bus with wheelchair accessibility supplements the seniors' busing schedules. The Town is working with the Senior Housing Corporation to make renovations and improvements to the Oak Grove facility. The Town has been awarded, on behalf of the Senior Housing Corporation, two Community Development Block Grants totaling \$1.6 million.

Recreation: The East Haddam Recreation Commission consists of nine members and, with the Recreation Director, is responsible for the maintenance, operation and organization of year-round recreational programs at Town facilities. The Town owns and maintains a small boat-launching area on the Connecticut River and a Town Beach which encompasses 57 acres of land on the Moodus Reservoir where swimming, boating, various field sports and swimming lessons are accommodated. In addition, the Town owns and maintains a dog park, skate park, tennis courts, an 18-Hole Disc Golf Course as well as Nichols Ball Field which is located on a 127-acre tract used for a variety of recreational purposes including baseball, softball and soccer. The Parks and Recreation Department offers a variety of programs including Music on the River, a widely attended summer concert series, day camps, adult and youth sports and leisure activities, fitness classes, yoga, art classes, music lessons and public safety courses including EMT, CPR and safe boating.

Utilities: Electricity is supplied by Eversource Energy.

Educational System

The Town’s school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. East Haddam has a nine-member Board of Education with each member elected to six-year staggered terms. The primary function of the Board is to establish educational policy. Some of the areas for which policies are set include curriculum, budget requests submission, ensuring funds for education, as appropriated by the Town, are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

Presently, the Town has one school for grades pre-kindergarten through three, a middle school for grades four through eight, and a high school for grades nine through twelve. Enrollment in the system as of October 1, 2015, was 1,061. The rated capacity of the system facilities is 1,498.

Shared Services

Shared services consolidates the common areas of finance, facilities and technology for the Town and the Board of Education at a lower cost to the taxpayers while delivering quality services to citizens and staff. Recent accomplishments in the area of shared services include: the award and implementation of a \$525,000 school security grant; award and implementation of a \$311,000 grant for school technology infrastructure; town-wide upgrades to technology infrastructure; extensive grounds work at Town and Board of Education facilities; upgrades to the Town and Board of Education accounting systems and implementation of a new Town-wide emergency notification system.

School Enrollments

As of October 1	Grades Pre-K-3	Grades 4-8	Grades 9-12	Total Enrollment
<i>Historical</i>				
2008	433	572	418	1,423
2009	421	559	406	1,386
2010	408	540	387	1,335
2011	366	499	404	1,269
2012	333	507	399	1,239
2013	326	490	383	1,199
2014	318	456	351	1,125
2015	309	431	321	1,061
<i>Projected</i>				
2016	301	402	325	1,028
2017	279	380	327	986
2018	279	363	313	955
2019	275	361	295	931

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Principal Public Facilities

*School Facilities*¹

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction (Latest remodeling)</u>	<u>Number of Classrooms (General/Total)</u>	<u>Enrollment 10/1/2015¹</u>	<u>Rated Capacity</u>
East Haddam Elementary ...	Pre-K-3	1962 (1989)	26/30	309	480
Middle School	4-8	2008	30/47	431	618
High School	9-12	1994	22/28	321	400
Total			78/105	1,061	1,498

¹ Figures based on data from the 2014-15 school year.

Other Public Facilities

<u>Facility</u>	<u>Date Constructed</u>	<u>Additions & Renovations</u>	<u>Type of Construction</u>	<u>Planned Major Improvements/ Replacements</u>
Town Office Building	Acquired 4/57	1966, 1981	Wood frame	None
The River House	Acquired 7/73	1980	Wood frame	None
Storage Facility/Garage	Acquired 7/73	None	Wood/steel frame	None
Public Works Depot	2000	None	Masonry/steel	None
East Haddam Town Hall	1857	1979, 2014	Wood frame	None
Transfer Station	1978	1980, 1990	Masonry/steel	None
Firehouse, Co. #1	1975	None	Brick/masonry	See below ²
Firehouse, Co. #2	1990	None	Metal/steel frame	See below ²
Firehouse, Co. #3	1968	None	Wood frame	None
Grange Hall	Acquired 9/01	2014	Wood frame	None
Senior Center	Opened 11/05	None	Wood frame	None
Former Middle School	1922	1984	Brick/masonry	See below ²

² At a referendum held on June 16, 2015, the voters approved appropriations and bond authorizations in the amount of \$2,707,000 for improvements at the East Haddam Elementary School; \$508,000 for renovations of firehouses for Company's No. 1 and 2; \$2,100,000 for Town-wide radio system Improvements; and \$15,000,000 for the conversion of the former Nathan Hale-Ray Middle School into municipal offices.

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Municipal Employment¹

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
General government	37	38	38	38	31
Board of Education	187	181	188	190	185
Total	224	219	226	228	216

¹ Full-time equivalent

Municipal Employee Collective Bargaining Representation

<u>Employees</u>	<u>Bargaining Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
<i>General Government</i>			
Town office clerical	CSEA/SEIU, AFL-CIO, Local #760 – East Haddam Clerical Association	6	6/30/2017
Highway department	General Teamsters, Local #493	9	6/30/2018
Firefighters	UPPPFA, IAFF Local #3831 East Haddam Firefighters Union	1	6/30/2016
Police	UPSEU/COPS	5	6/30/2017
Transfer station.....	International Union of Operating Engineers, Local 30	3	6/30/2018
Non-bargaining Employees..	n/a	13	
	Total General Government.....	37	
<i>Board of Education</i>			
School administrators	East Haddam Administrators’ Association	4	6/30/2018
Teachers	East Haddam Education Association	111	6/30/2017
Other school personnel	UPSEU	70	6/30/2017
Non-bargaining Employees..	n/a	2	
	Total Board of Education.....	187	
	Total Town of East Haddam	224	

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel’s decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers’ contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer’s financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Economic Development

East Haddam is proud to be the home of a world-renowned, Tony Award-winning theater, the Goodspeed Opera House; a top Connecticut tourist attraction, Gillette Castle State Park; and numerous small- to medium- scale independent businesses. These include family businesses like Ballek's Garden Center, Eddie's Auto Body, New England Propeller Services, Chesthelm Convalescent Hospital, Inc. and Shagbark Lumber Company.

The Goodspeed Opera House is perched on the banks of the Connecticut River. The Goodspeed was built in 1876 by William Goodspeed for his shipping and banking business and to provide a venue for his love of theater. The opera house opened on October 24, 1877. After Mr. Goodspeed's death, the opera house closed as a theater and was used over time as a National Guard post during World War I, a general store and a storage depot for the State of Connecticut Highway Department. In 1959, a group of Town volunteers raised the money to restore the building, and the Goodspeed Opera House was rededicated on June 18, 1963. In addition to entertainment, the Goodspeed serves as a historical attraction, research facility, and educational forum attracting visitors and musical theater students nationwide. During the 2014 season, the opera house attracted over 120,000 patrons.

Gillette Castle State Park is a unique fieldstone castle that was home to legendary stage actor William Gillette; best known for his portrayal of Sherlock Holmes on stage. He designed his unique house with intricately carved locks, wood doors and a miniature railroad on the grounds. After Gillette's death, the State of Connecticut purchased the estate for a park. This 184-acre park is situated on a hill overlooking the Connecticut River, and attracts thousands of visitors from throughout the world each year. The park offers hiking trails, picnic spots, food concession, and a gift shop.

In addition to Gillette Castle State Park, East Haddam hosts numerous other state parks such as Machimoodus, Sunrise and Devil's Hopyard State Parks. These outdoor venues attract over 250,000 outdoor visitors each year. These tourism hot spots contribute greatly to the Town's current economic development and its plans for the future. Along with its public open space, the Town is home to many private recreational developments such as the Fox Hopyard Golf Course, Banner Lodge Country Club, Wolf Den Campground, Cave Hill Camp Ground and Grandview Campground and Resort. These establishments continue East Haddam's proud heritage as a recreational area for the region.

In 2015, the Town approved funding to implement its long-range goal to revitalize many areas of the Town. One major component of this plan is the conversion of the former Nathan Hale-Ray Middle School to new municipal offices. Construction plans are being prepared for renovation and construction occurring in 2016. The conversion of this building to new municipal offices will allow the current Town Office building and land to be repurposed to revitalize East Haddam Village through new commercial development. The current Town Office site is one of the more valuable real estate parcels in Middlesex County due to its proximity to the Connecticut River and the Goodspeed Opera House. The First Selectman and the Town Economic Development Commission will be working with stakeholders including local businesses, residents, the Goodspeed Opera House and the neighboring Town of Haddam to prepare and implement economic revitalization strategies for the East Haddam Village ("Goodspeed Landing") and the surrounding area.

Also in 2015, the Town amended its local business incentive program ordinance to improve its ability to induce new business development through greater tax abatements on real and personal property associated with new or business expansion projects. The Town has approved one project through this program and is processing applications for two additional projects.

The Economic Development Commission and the Planning and Zoning Commission have been working jointly to amend the Town Plan of Conservation and Development to support business development and maintain a balance with resource conservation.

The Town is proud of all the small businesses that call East Haddam home, and works closely with the East Haddam Business Association to improve the local climate to support business growth.

SECTION III –ECONOMIC AND DEMOGRAPHIC DATA

Population

<u>Year</u>	<u>Town of East Haddam</u>	<u>Middlesex County</u>	<u>State of Connecticut</u>
1980	5,621	129,017	3,107,576
1990	6,676	143,196	3,287,116
2000	8,333	155,071	3,405,565
2010	9,126	165,676	3,574,097
2013	9,120	165,690	3,583,561

Source: U.S. Bureau of the Census.

Age Distribution of the Population

<u>Age</u>	<u>Town of East Haddam</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5.....	447	4.9	7,925	4.8	197,395	5.5
5 - 9.....	674	7.4	9,361	5.6	220,139	6.1
10 - 14.....	677	7.4	10,319	6.2	236,742	6.6
15 - 19.....	642	7.0	10,920	6.6	255,816	7.1
20 - 24.....	355	3.9	9,043	5.5	229,708	6.4
25 - 34.....	757	8.3	17,527	10.6	428,258	12.0
35 - 44.....	1,306	14.3	21,824	13.2	469,746	13.1
45 - 54.....	1,755	19.2	28,114	17.0	568,510	15.9
55 - 59.....	814	8.9	12,920	7.8	246,210	6.9
60 - 64.....	554	6.1	11,132	6.7	210,753	5.9
65 - 74.....	685	7.5	14,315	8.6	269,422	7.5
75 - 84.....	284	3.1	7,790	4.7	164,260	4.6
85 and over..	188	2.1	4,500	2.7	86,602	2.4
Total	9,138	100.0	165,690	100.0	3,583,561	100.0

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Educational Attainment

<u>Educational Attainment Group</u>	<u>Town of East Haddam</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	93	1.5	2,419	2.0	109,133	4.5
9th to 12th grade, no diploma.....	226	3.6	4,913	4.2	155,272	6.4
High School graduate.....	1,780	28.1	33,573	28.4	678,370	27.8
Some college, no degree.....	1,273	20.1	21,248	18.0	431,469	17.7
Associate's degree.....	652	10.3	9,792	8.3	178,597	7.3
Bachelor's degree.....	1,436	22.6	25,947	22.0	498,124	20.4
Graduate or professional degree....	883	13.9	20,230	17.1	392,796	16.1
Total	6,343	100.0	118,122	100.0	2,443,761	100.0
Percent of High School Graduates		95.0%		93.8%		89.2%
Percent of College Graduates		36.6%		39.1%		36.5%

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Selected Wealth and Income Indicators

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(2000)</u>	<u>(2013)</u>	<u>(2000)</u>	<u>(2013)</u>
Town of East Haddam.....	\$ 70,091	\$ 97,423	\$ 28,112	\$ 39,539
Middlesex County.....	71,319	98,501	28,251	39,992
Connecticut.....	65,521	87,245	28,766	37,892
United States.....	49,600	64,719	21,690	28,155

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Income Distribution

	<u>Town of East Haddam</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ -0- to 9,999....	39	1.5	2,267	3.4	29,895	3.3
10,000 to 14,999....	16	0.6	2,127	3.2	19,176	2.1
15,000 to 24,999....	116	4.6	5,066	7.7	47,219	5.2
25,000 to 34,999....	93	3.7	4,566	6.9	56,997	6.3
35,000 to 49,999....	102	4.0	6,455	9.8	86,025	9.5
50,000 to 74,999....	480	19.0	11,607	17.5	143,989	15.9
75,000 to 99,999....	500	19.8	8,997	13.6	131,874	14.6
100,000 to 149,999...	660	26.1	13,335	20.2	187,718	20.8
150,000 to 199,999...	253	10.0	6,043	9.1	90,602	10.0
200,000 or more.....	265	10.5	5,678	8.6	109,982	12.2
	<u>2,524</u>	<u>100.0</u>	<u>66,141</u>	<u>100.0</u>	<u>903,477</u>	<u>100.0</u>

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Employment by Industry

<u>Employment Sector</u>	<u>Town of East Haddam</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, Forestry, Fishing, Hunting & Mining..	46	1.0	302	0.4	6,945	0.4
Construction.....	339	7.3	5,148	6.0	99,444	5.7
Manufacturing.....	581	12.5	10,557	12.2	193,945	11.0
Wholesale Trade.....	182	3.9	2,228	2.6	43,550	2.5
Retail Trade.....	559	12.0	9,050	10.5	191,841	10.9
Transportation, Warehousing & Utilities.....	166	3.6	2,918	3.4	65,630	3.7
Information.....	15	0.3	2,091	2.4	41,588	2.4
Finance, Insurance & Real Estate.....	304	6.5	8,229	9.5	160,976	9.1
Professional, Scientific & Management.....	519	11.1	9,100	10.6	194,959	11.1
Educational Services & Health Care.....	1,176	25.2	23,095	26.8	464,177	26.4
Arts, Entertainment, Recreation & Food Services...	319	6.8	6,127	7.1	148,097	8.4
Other Service (including nonprofit).....	149	3.2	3,608	4.2	81,443	4.6
Public Administration.....	309	6.6	3,761	4.4	66,817	3.8
Total	<u>4,664</u>	<u>100.0</u>	<u>86,214</u>	<u>100.0</u>	<u>1,759,412</u>	<u>100.0</u>

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Unemployment Rate Statistics

<u>Yearly Average</u>	<u>Town of East Haddam</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
2005	3.9%	5.3%	4.9%	5.1%
2006	3.3%	4.6%	4.3%	4.6%
2007	3.7%	4.7%	4.6%	4.6%
2008	4.4%	5.9%	5.7%	5.8%
2009	6.2%	8.1%	8.0%	9.3%
2010	7.1%	9.1%	9.0%	9.6%
2011	6.9%	8.9%	8.8%	9.0%
2012	7.1%	8.4%	8.3%	8.1%
2013	6.3%	7.9%	7.9%	7.4%
2014	5.4%	6.7%	6.7%	6.2%

2015 Monthly

January	6.1%	6.8%	6.8%	6.1%
February	6.2%	6.9%	6.9%	5.8%
March	6.5%	5.8%	6.5%	5.6%
April	4.9%	5.8%	5.8%	5.1%
May	4.4%	5.5%	5.6%	5.3%
June	4.4%	5.4%	5.4%	5.5%
July	4.8%	5.7%	5.6%	5.6%
August	4.9%	5.6%	5.5%	5.2%

Source: State of Connecticut, Labor Department, Office of Research.

Major Employers

The following are among the most significant employers in the Town of East Haddam.

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees¹</u>
Town of East Haddam	Municipality.....	224
Chesthelm Convalescent Hospital, Inc.	Convalescent home	114
Goodspeed Opera House	Opera house	85
Shagbark Lumber & Farm Supplies	Lumber/farm supply retailer	70
Franklin Academy	School	50
Fox Hopyard Golf Club	Golf course	25
Total		568

¹ Full-time equivalent.

Various Town resorts and two public golf courses continue to provide seasonal employment for tourism service. Gillette Castle is a State-owned park that also provides seasonal employment to accommodate visitors.

Housing Inventory

<u>Type</u>	<u>Units</u>	<u>Percent</u>
1-unit detached	4,326	93.4
1-unit attached	83	1.8
2 to 4 units	215	4.6
5 to 9 units	-	-
10 or more units	-	-
Mobile home, trailer, other	9	0
Total Inventory	4,633	100.0

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Number of Dwelling Units

<u>2013</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>% Increase 2000-2013</u>	<u>% Increase 1980-2013</u>
4,633	4,015	3,289	2,648	15.4%	75.0%

Source: U.S. Department of Commerce, Bureau of Census.

Characteristics of Housing Units

<u>Value of Owner Occupied Units</u>	<u>Town of East Haddam</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$ 0 to \$50,000.....	0	0.0	1,185	2.4	20,800	2.3
50,000 to 99,999.....	35	1.2	984	2.0	24,638	2.7
100,000 to 149,999.....	116	3.9	2,429	4.8	66,934	7.3
150,000 to 199,999.....	222	7.4	5,759	11.4	135,714	14.8
200,000 to 299,999.....	1,279	42.8	16,093	31.9	264,832	28.8
300,000 to 499,999.....	985	32.9	17,660	35.0	250,076	27.2
500,000 to 999,999.....	306	10.2	5,083	10.1	114,622	12.5
1,000,000 and over.....	48	1.6	1,203	2.4	41,872	4.6
Total	2,991	100.0	50,396	100.0	919,488	100.0
Median Value	\$288,300		\$292,000		\$278,900	

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Age Distribution of Housing

<u>Year Structure Built</u>	<u>Town of East Haddam</u>		<u>Middlesex County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1939 or earlier.....	804	17.4	14,769	19.7	336,587	22.6
1940 to 1949.....	170	3.7	4,066	5.4	105,742	7.1
1950 to 1959.....	612	13.2	8,780	11.7	232,555	15.6
1960 to 1969.....	495	10.7	9,108	12.2	200,430	13.5
1970 to 1979.....	649	14.0	11,340	15.2	200,576	13.5
1980 to 1989.....	767	16.6	11,710	15.6	192,185	12.9
1990 to 1999.....	786	17.0	8,098	10.8	111,295	7.5
2000 to 2009.....	332	7.2	6,778	9.1	102,666	6.9
2010 or later.....	18	0.4	183	0.2	4,959	0.3
Total housing units	4,633	100.0	74,832	100.0	1,486,995	100.0

Source: U.S. Bureau of Census, American Community Survey, 2009-13.

Number and Value of Building Permits

Fiscal Year	Total	
	Number	Value
2014-15	654	\$ 7,303,318
2013-14	707	10,588,619
2012-13.....	684	6,591,060
2011-12	776	8,880,620
2010-11.....	726	9,706,775
2009-10	710	9,594,428
2008-09.....	614	9,631,530
2007-08.....	771	7,901,565
2006-07 ¹	931	44,963,607
2005-06	1,100	19,978,190

¹ Includes \$26,135,257 for the middle school project.

Breakdown of Land Use

Land Use Class	Number of Parcels	Acres	Percent of Total Area of Town
Residential	3,855	7,604	22.0%
Commercial	68	1,107	3.2%
Industrial	17	66	0.2%
Municipal	111	554	1.6%
Vacant - Uncommitted	n/a	14,250	41.3%
East Haddam Open Space	25	1,563	4.5%
State Open Space	8	3,015	8.7%
Nature Conservancy Open Space ...	4	1,269	3.7%
East Haddam Land Trust	9	265	0.8%
Conservation Easements	7	906	2.6%
Fish & Game Private	17	2,353	6.8%
Golf Courses Private.....	2	625	1.8%
Private Institutions	1	23	0.1%
Lakes	3	917	2.7%
Total	4,127	34,517	100.0%

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SECTION IV – DEBT SECTION

Outstanding Short-term Debt

The Town currently has no outstanding short-term debt.

Outstanding Bonded Debt

Pro Forma as of November 19, 2015

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding Including This Issue</u>	<u>Final Maturity</u>
11/25/97	State of CT Clean Water Fund Loan ...	2.00	\$ 1,561,364	82,174	06/30/16
5/15/08	Various	3.25-4.75	16,650,000	2,730,000 ¹	05/15/28
8/1/10	Schools	2.00-3.75	3,825,000	3,025,000	08/01/30
9/26/13	Open Space	2.50	1,845,000	1,510,000	11/15/23
11/19/15	This Issue	2.00-4.00	9,165,000	9,165,000	05/15/28
			<u>\$33,046,364</u>	<u>\$ 16,512,174</u>	

¹ Excludes bonds to be refunded by this issue.

Bonded Debt Maturity Schedule

Pro Forma as of November 19, 2015

<u>Fiscal Year</u>	<u>Existing Indebtedness</u>			<u>Refunded Bonds</u>	<u>The Bonds</u>	<u>Total</u>
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>	<u>Principal Payments</u>	<u>Principal Payments</u>	<u>Principal Payments</u>
2015-16 ¹	\$ 1,377,174	\$ 617,091	\$ 1,994,265	\$ -	\$ -	\$ 1,377,174
2016-17	1,320,000	576,419	1,896,419	-	-	1,320,000
2018-19	1,330,000	532,794	1,862,794	(920,000)	970,000	1,380,000
2019-20	1,330,000	479,094	1,809,094	(925,000)	975,000	1,380,000
2020-21	1,320,000	431,982	1,751,982	(925,000)	965,000	1,360,000
2021-22	1,320,000	384,360	1,704,360	(925,000)	950,000	1,345,000
2022-23	1,320,000	336,482	1,656,482	(925,000)	950,000	1,345,000
2023-24	1,280,000	289,107	1,569,107	(875,000)	890,000	1,295,000
2024-25	1,215,000	241,163	1,456,163	(875,000)	890,000	1,230,000
2025-26	1,075,000	197,019	1,272,019	(875,000)	875,000	1,075,000
2026-27	1,075,000	153,331	1,228,331	(875,000)	855,000	1,055,000
2027-28	1,075,000	109,444	1,184,444	(875,000)	845,000	1,045,000
2028-29	1,075,000	64,919	1,139,919	-	-	1,075,000
2029-30	200,000	19,538	219,538	-	-	200,000
2030-31	200,000	12,188	212,188	-	-	200,000
2031-32	225,000	4,219	229,219	-	-	225,000
Total	<u>\$ 16,737,174</u>	<u>\$ 4,449,148</u>	<u>\$ 21,186,322</u>	<u>\$ (8,995,000)</u>	<u>\$ 9,165,000</u>	<u>\$ 16,907,174</u>

¹ Includes \$395,000 of principal payments and \$310,147 of interest payments made from July 1, 2015 through November 19, 2015.

**THE TOWN OF EAST HADDAM HAS NEVER DEFAULTED IN THE PAYMENT OF ITS OBLIGATIONS
EITHER AS TO PRINCIPAL OR INTEREST**

Overlapping/Underlying Debt

The Town does not have any overlapping or underlying debt.

Statement of Statutory Debt Limitation

Pro Forma as of November 19, 2015

Total fiscal year 2015 tax collections (including interest and lien fees)(unaudited estimate)	\$ 23,868,983
State Reimbursement for Revenue Loss on Tax Relief for the Elderly	65,125
Base for Establishing Debt Limit	<u>\$ 23,934,108</u>

<u>Debt Limitation</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>	<u>Total Debt</u>
(2.25 times base).....	\$ 53,851,743					
(4.50 times base).....		\$ 107,703,486				
(3.75 times base).....			\$ 89,752,905			
(3.25 times base).....				\$ 77,785,851		
(3.00 times base).....					\$ 71,802,324	
(7.00 times base).....						\$ 167,538,756
Indebtedness (Including <i>This Issue</i>)						
Bonds Payable.....	\$ 3,192,750	\$ 13,067,250	\$ -	\$ -	\$ -	\$ 16,260,000
Refunding Bonds.....	(269,850)	(8,725,150)	-	-	-	(8,995,000)
The Bonds (<i>This Issue</i>)...	275,000	8,890,000	-	-	-	9,165,000
State of Connecticut						-
Clean Water Fund Loan	-	-	82,174	-	-	82,174
Authorized but						-
Unissued Debt ¹	20,164,795	2,978,453	-	-	-	23,143,248
Gross Direct Debt.....	<u>23,362,695</u>	<u>16,210,553</u>	<u>82,174</u>	<u>-</u>	<u>-</u>	<u>39,655,422</u>
School grants						
receivable	-	-	-	-	-	-
Underlying Debt.....	-	-	-	-	-	-
Net Direct and						
Underlying Debt.....	<u>23,362,695</u>	<u>16,210,553</u>	<u>82,174</u>	<u>-</u>	<u>-</u>	<u>39,655,422</u>
Excess of Limit Over						
Outstanding and						
Authorized Debt.....	<u>\$ 30,489,048</u>	<u>\$ 91,492,933</u>	<u>\$ 89,670,731</u>	<u>\$ 77,785,851</u>	<u>\$ 71,802,324</u>	<u>\$ 127,883,334</u>

In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$167,538,756.

¹ For the purpose of determining a municipality’s compliance with the statutory debt limitation, there is no requirement that unissued debt though authorized be considered.

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Calculation of Net Direct Debt

Pro Forma as of November 19, 2015

<u>Bonded Indebtedness</u> ¹	
Refunding Bonds	\$ (8,995,000)
The Bonds (<i>This Issue</i>)	9,165,000
General Improvement.....	3,192,750
Schools.....	13,067,250
State of Connecticut Clean Water Fund Loan	82,174
Total Bonded Indebtedness	<u>16,512,174</u>
Short-Term Indebtedness	-
Total Direct Indebtedness	<u>16,512,174</u>
Net Direct Indebtedness	16,512,174
Underlying Indebtedness.....	-
Net Direct Plus Underlying Indebtedness	<u><u>\$ 16,512,174</u></u>

¹ Does not include authorized and unissued debt of \$23,143,248.

Current Debt Ratios

Pro Forma as of November 19, 2015

Total Direct Indebtedness	\$16,512,174
Net Direct Indebtedness	\$16,512,174
Net Direct Plus Underlying Indebtedness.....	\$16,512,174
Population ¹	9,120
Net Taxable Grand List (10/1/14).....	\$852,756,014
Estimated Full Value.....	\$1,218,222,877
Equalized Net Taxable Grand List (2013) ²	\$1,223,024,607
Per Capita Income (2013) ¹	\$39,539
<u>Total Direct Debt:</u>	
Per Capita.....	\$1,810.55
To Net Taxable Grand List.....	1.94%
To Estimated Full Value.....	1.36%
To Equalized Net Taxable Grand List.....	1.35%
Per Capita to Per Capita Income.....	4.58%
<u>Net Direct Debt:</u>	
Per Capita.....	\$1,810.55
To Net Taxable Grand List.....	1.94%
To Estimated Full Value.....	1.36%
To Equalized Net Taxable Grand List.....	1.35%
Per Capita to Per Capita Income.....	4.58%
<u>Net Direct Plus Underlying Indebtedness:</u>	
Per Capita.....	\$1,810.55
To Net Taxable Grand List.....	1.94%
To Estimated Full Value.....	1.36%
To Equalized Net Taxable Grand List.....	1.35%
Per Capita to Per Capita Income.....	4.58%

¹ U.S. Bureau of Census, American Community Survey, 2009-13.

² Office of Policy and Management, State of Connecticut

Historical Debt Statement

	2014-15 ¹	2013-14	2012-13	2011-12	2010-11
Population ²	9,138	9,138	9,138	9,120	9,069
Net taxable grand list.....	\$ 848,814,900	\$ 844,692,545	\$ 989,613,621	\$ 981,274,299	\$ 743,734,400
Estimated full value.....	\$ 1,212,592,714	\$ 1,206,703,636	\$ 1,413,733,744	\$ 1,401,820,427	\$ 1,062,477,714
Equalized net taxable grand list ³ ..	\$ 1,223,024,607	\$ 1,206,408,850	\$ 1,236,067,714	\$ 1,313,702,461	\$ 1,360,122,328
Per capita income ²	\$ 39,539	\$ 39,539	\$ 39,539	\$ 39,821	\$ 38,168
Short-term debt.....	\$ -	\$ -	\$ 1,445,000	\$ 1,530,000	\$ 720,000
Long-term debt.....	\$ 16,737,174	\$ 18,059,351	\$ 17,271,528	\$ 18,578,705	\$ 19,759,648
Total Direct Indebtedness.....	\$ 16,737,174	\$ 18,059,351	\$ 18,716,528	\$ 20,108,705	\$ 20,479,648
Net Direct Indebtedness.....	\$ 16,737,174	\$ 18,059,351	\$ 18,716,528	\$ 20,108,705	\$ 20,479,648
Net Direct Plus Underlying Indebtedness.....	\$ 16,737,174	\$ 18,059,351	\$ 18,716,528	\$ 20,108,705	\$ 20,479,648

¹ Unaudited estimate.

² U.S. Bureau of Census, American Community Survey, 2009-13.

³ Office of Policy and Management, State of Connecticut.

Historical Debt Ratios

Total Direct Indebtedness:	2014-15 ¹	2013-14	2012-13	2011-12	2010-11
Per capita.....	\$1,831.60	\$1,976.29	\$2,048.21	\$2,204.90	\$2,258.20
To net taxable grand list.....	1.97%	2.14%	1.89%	2.05%	2.75%
To estimated full value.....	1.38%	1.50%	1.32%	1.43%	1.93%
To equalized net taxable grand list.....	1.37%	1.50%	1.51%	1.53%	1.51%
Debt per capita to per capita income.....	4.63%	5.00%	5.18%	5.54%	5.92%
Net Direct Indebtedness:					
Per capita.....	\$1,831.60	\$1,976.29	\$2,048.21	\$2,204.90	\$2,258.20
To net taxable grand list.....	1.97%	2.14%	1.89%	2.05%	2.75%
To estimated full value.....	1.38%	1.50%	1.32%	1.43%	1.93%
To equalized net taxable grand list.....	1.37%	1.50%	1.51%	1.53%	1.51%
Debt per capita to per capita income.....	4.63%	5.00%	5.18%	5.54%	5.92%
Net Direct Plus Underlying Indebtedness:					
Per capita.....	\$1,831.60	\$1,976.29	\$2,048.21	\$2,204.90	\$2,258.20
To net taxable grand list.....	1.97%	2.14%	1.89%	2.05%	2.75%
To estimated full value.....	1.38%	1.50%	1.32%	1.43%	1.93%
To equalized net taxable grand list.....	1.37%	1.50%	1.51%	1.53%	1.51%
Debt per capita to per capita income.....	4.63%	5.00%	5.18%	5.54%	5.92%

¹ Unaudited estimate.

Comparison of Annual Debt Service to General Fund Expenditures

Fiscal Year Ending June 30	Annual Debt Service	General Fund Expenditures	Debt Service as Ratio to General Fund Expenditures
2016	\$ 1,994,265	\$ 30,288,121	6.6%
2015	2,007,689	29,599,259	6.8%
2014	1,711,428	30,478,233	5.6%
2013	1,970,267	30,981,063	6.4%
2012	2,009,501	29,420,692	6.8%
2011	2,181,385	28,105,272	7.8%
2010	2,253,262	29,684,447	7.6%
2009	2,361,928	30,340,248	7.8%
2008	1,079,303	33,046,196	3.3%
2007	1,129,612	25,514,768	4.4%

Clean Water Fund Program

The Town of East Haddam is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (except for combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan and denitrification projects which are financed with a 30% grant and a 70% loan.)

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements (the "Loan Agreement"). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs (Interim Funding Obligations). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The Town of East Haddam has the following Clean Water loans outstanding as of November 19, 2015:

Loan ID	Date of Issue	Original 2% Loan Amount	Amount Outstanding as of 11/19/2015
CWF # 173 D/C	11/25/1997	\$ 1,561,134	\$ 82,174

Legal Requirements for Approval of Borrowing

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes. The issuance of bonds and notes is authorized by the Town Meeting or referendum upon the recommendation of the Board of Finance except for the issuance of refunding bonds, which require authorization by only the Board of Selectmen (CGS Sec. 7-370c). Notes and bonds may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding, in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except for sewer notes issued in anticipation of state and federal grants. If a written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

School Construction Grants

Pursuant to Public Act No. 97-11 of the June 18 Special Session of the 1997 Connecticut General Assembly (“P.A. 97-11”), the State of Connecticut provides proportional progress payments for eligible school construction expenses on school construction projects approved after July 1, 1996. Under prior law, a municipality issued bonds for the entire amount needed for a school construction project and a State grant generally was paid by the State reimbursing the municipality for a certain percentage of principal and interest payments on its bonds when due. Under P.A. 97-11, a municipality requests progress payments from the State during the course of construction of the project. State grant funds will be paid directly to the municipality after it submits its request for progress payments, and, accordingly, the municipality will issue its bonds only for its share of project costs.

Existing and Future Capital Project Financing

On June 16, 2015 voters of the Town approved bond authorizations in the amounts of \$2,707,000 for improvements at the East Haddam Elementary School; \$2,100,000 for Town-wide radio system improvements; \$508,000 for improvements to the Town Street Firehouse (Company No. 1) and the Moodus Firehouse (Company No. 2); and \$15,000,000 for the conversion of the former Nathan Hale-Ray Middle School into municipal offices. Town officials expects to finance the conversion of the former Middle School Building to municipal offices through the U.S. Department of Agriculture’s Rural Development loan program. The remaining projects are expected to be financed through the issuance of general obligation bonds and notes beginning in the summer of 2016.

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Capital Improvement Program

Proposed Projects \$(000)	2015-16	2016-17	2017-18	2018-19	2019-20	Total
General Government.....	\$5,025,091	\$5,338,441	\$5,013,441	\$ 13,441	\$ -	\$15,390,414
Public Safety	1,231,600	894,000	872,000	843,000	54,500	3,895,100
Public Works	871,960	902,560	1,873,109	943,560	942,000	5,533,189
Health and Human Services ..	-	-	-	-	-	-
Recreation and Leisure.....	55,000	232,000	205,000	183,000	176,000	851,000
Education	2,269,500	650,000	167,000	169,000	118,580	3,374,080
Total Project Costs	\$9,453,151	\$8,017,001	\$8,130,550	\$2,152,001	\$1,291,080	\$29,043,783

Funding Sources

General Fund Support	\$ 389,915	\$1,687,863	\$1,099,525	\$1,127,863	\$ 866,942	\$ 5,172,108
General Obligation Bonds ...	8,288,000	5,680,000	5,680,000	-	-	19,648,000
LOCIP and State Town Aid...	424,138	424,138	424,138	424,138	424,138	2,120,690
Capital Reserves	351,098	225,000	150,000	600,000	-	1,326,098
Federal Bridge Grant.....	-	-	776,887	-	-	776,887
Total Funding Sources ...	\$9,453,151	\$8,017,001	\$8,130,550	\$2,152,001	\$1,291,080	\$29,043,783

The Capital Improvement Program is funded annually through the operating budget. Additionally, the Town has a Reserve for Capital Projects Fund that may be used for the acquisition or construction of major capital facilities or for major capital projects. For the fiscal year 2015-16 it is anticipated that \$457,721 will be transferred to complete capital projects/improvements.

Authorized but Unissued Debt

Project	Total Bond Authorization	Previously Bonded	Grants/ Contributions	Authorized But Unissued
Open Space/Municipal Property (2003)	\$ 5,000,000	\$ 2,188,705	\$ 583,500	\$ 2,227,795
Open Space – Zeleznicky (2015)	127,500	-	78,000	49,500
Open Space – Lena (2015)	767,000	-	487,500	279,500
Middle School Project ¹	34,118,000	18,506,295	15,340,252	271,453
East Haddam Elementary School ²	2,707,000	-	-	2,707,000
Firehouse Improvements	508,000	-	-	508,000
Former Middle School Conversion	15,000,000	-	-	15,000,000
Town-wide Radio System Improvements	2,100,000	-	-	2,100,000
Total	\$ 60,327,500	\$20,695,000	\$ 16,489,252	\$23,143,248

¹ This project has been completed and the Town does not expect further borrowing against this authorization.

² The Town expects to receive approximately \$790,000 in State of Connecticut Progress Payment grants which will reduce the authorized but unissued debt by a similar amount.

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SECTION V – FINANCIAL SECTION

Summary of Accounting Principles

The Town's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The Town's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The accounting policies of the Town conform to generally accepted accounting principles as applied to governmental units. See Appendix A – "Audited Financial Statements, Notes to Financial Statements" herein.

Audit

The Town, in accordance with the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) is obligated to undergo an annual examination by an independent certified public accountant. The current auditors, Blum Shapiro & Co. LLP, of West Hartford, Connecticut, are required to conduct their examination of the Town under the guidelines issued by the State of Connecticut Office of Policy & Management, who receive a copy of said Audit Report when completed.

The most recent annual audit covers the fiscal year ended June 30, 2014, a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are the Town's Basic Financial Statements, Notes to the Financial Statements and Required Supplemental Information, together with the report of the independent auditor as prepared by Blum Shapiro & Co. LLP Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. Individuals wishing a complete document should contact the Finance Director of the Town of East Haddam, Connecticut.

The auditor has not been asked nor has it given its consent to the inclusion of the financial statements in this Official Statement.

Budget Adoption Procedures

The Board of Finance distributes forms to Town officials who compile annual budget requests and return them to the Board of Finance. The Board of Finance reviews all general government budgets with the Board of Selectmen.

The Board of Education prepares its budget document and submits it to the Board of Finance. After reviewing requested expenditures and estimating revenues, the Board of Finance prepares a budget for a public hearing. Following the hearing, the Board meets in public session to prepare a recommended budget for Town Meeting and referendum approval. When the budget is approved, the Board of Finance sets the tax rate.

The Connecticut General Statutes provide the manner to be utilized by the Town Meeting in acting upon the budget, as well as the procedures to be utilized for additional appropriations during the year. Funds for any additional appropriations or any emergency appropriations are drawn as directed by the Board of Finance from any available fund balance, an approved contingency fund, or funds received or to be received from State, Federal or other sources.

The General Fund budget is prepared on a modified accrual basis of accounting, except for encumbrances, payroll expenditures and State of Connecticut on-behalf payments for teachers' pensions. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and accordingly encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. The budget for payroll expenditures is prepared on a cash basis.

Employee Pension Systems

The Town is the administrator of a single employer, contributory defined benefit pension plan, the Volunteer Fire Department Incentive Plan ("Volunteer Fire Incentive Plan"), which provides benefits for active Volunteer Firefighters who were members of the East Haddam Volunteer Fire Department prior to December 31, 2011. Plan provisions are established and amended by ordinance requiring Board of Selectman and Town Meeting approval. As of June 30, 2015 the plan membership consisted of 42 members.

Effective January 1, 2012, the Town created a Length of Service Award Plan for members of East Haddam's Volunteer Fire Department ("LOSAP"). The LOSAP is a defined contribution plan that provides length of service awards to members of the Volunteer Fire Department hired on or after January 1, 2012. Contribution provisions and benefit provisions of the LOSAP are established by and can be amended by the Board of Finance and the Board of Selectmen. As of June 30, 2015 the plan membership consisted of 7 members.

Currently nine Town employees in the General Teamsters Union participate in the Municipal Employees' Retirement Fund ("MERF"), a cost-sharing, multiple-employer public retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. MERF is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as pension trust funds. The Town's contribution to MERF for the fiscal year ended June 30, 2015 was equal to the required contribution of \$76,934. The Town's expected contribution to MERF for the fiscal year ended June 30, 2016 is \$75,400 which is equal to the required contribution.

The Town has a defined contribution individual savings account plan covering all full-time Town employees and non-certified school employees who work over 500 hours annually, except for those employees who are covered under the State MERF. During the fiscal year ended June 30, 2014 employees contributed \$194,779 and employer contributions were \$145,508 to the plan. These amounts represented 6.2% and 4.6%, respectively, of covered payroll of \$14,655,093.

Certified teachers are covered by the State Teachers' Retirement Fund, to which they are required to contribute 7.25% of their salary. For the fiscal year ended June 30, 2015, teacher payroll subject to retirement compensation amounted to \$8,748,161 or 74.4% of the total Board of Education payroll of \$11,760,222. Neither the Town nor the Board of Education are required to make any contribution to this fund.

The Town implemented Government Accounting Standards Board's (GASB) Statement No. 67 effective Fiscal Year ending June 30, 2014. In accordance with GASB Statement No. 67, the net position is based on the fair market value as of the end of the fiscal year and the total pension liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. The components of the net pension liability of the Town's Volunteer Fire Incentive Plan were as follows as of June 30, 2015:

	Volunteer Fire Incentive Plan
Total pension liability	\$ 656,174
Plan fiduciary net position	<u>492,662</u>
Net pension liability	<u>\$ 163,512</u>
Plan fiduciary net position as a % of total pension liability	75.08%

The following represents the net pension liability of the Town's Volunteer Fire Incentive Plan, calculated using the current discount rate, 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 or 1 percentage point higher than the current rate:

	1% Decrease (4.49%)	Current Discount Rate (5.49%)	1% Increase (6.49%)
Town's Net Pension Liability	\$ 251,019	\$ 163,512	\$ 90,191

The following represents historic trend information of the Town's Volunteer Fire Incentive Plan:

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2014	\$ 489,189	\$ 643,717	\$ 154,528	76.0%	NA	NA
7/1/2012	374,641	610,791	236,150	61.3%	NA	NA
1/1/2011	366,682	794,532	427,850	46.2%	NA	NA

Schedule of Employer Contributions

Fiscal Year Ended	Volunteer Fire Incentive Plan		
	Actuarially Determined Contribution	Actual Contribution	Percentage Contributed
2016 ¹	\$ 23,957	\$ 28,877	120.5%
2015 ²	25,415	26,752	105.3%
2014	29,915	79,182	264.7%
2013	29,106	39,705	136.4%
2012	48,417	35,646	73.6%

¹ Adopted budget

² Unaudited estimate.

See Appendix A – “Auditor’s Section, Notes to Financial Statements” herein.

Other Post-Employment Benefits

The Town, in accordance with various collective bargaining agreements, provides medical benefits to certain retirees and their spouses. The Post-Retirement Medical Program covers Town and Board of Education employees. Retired program members and beneficiaries are required to contribute active employee premiums. The percentage contribution and the eligibility of the employees and retirees receiving these benefits vary and are detailed within the Town’s various bargaining agreements. The funding and payment of post-employment benefits are accounted for in the General Fund on a pay-as-you-go basis. As of June 30, 2015, plan membership included 182 participants.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded (Unfunded) AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2014 ¹	\$ -	\$ 834,457	\$ (834,457)	0.0%	\$10,673,308	7.8%
7/1/2013	-	962,572	(962,572)	0.0%	10,144,988	9.5%
7/1/2012	-	947,220	(947,220)	0.0%	9,849,503	9.6%
7/1/2011	-	780,967	(780,967)	0.0%	12,186,633	n/a

¹ Draft Valuation

Schedule of Employer Contributions

Fiscal Year	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2015 ¹	\$ 74,994	\$ 67,575	90.1%
2014	84,695	73,424	86.7%
2013	81,961	67,362	82.2%
2012	68,211	59,368	87.0%

¹ Draft Valuation

See Appendix A – “Auditor’s Section, Notes to Financial Statements” herein.

Investment Practices

Connecticut General Statutes Section 7-402 governs the deposit of the Town's public funds. 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 obligations of the United States and its agencies, highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated investment companies (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. The Connecticut General Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut STIF and the Tax Exempt Proceeds Fund. Other provisions of the Connecticut General Statutes cover specific municipal funds with particular investment authority. The provisions of the Connecticut General Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, the laws applicable to fiduciaries and the provisions of the applicable plan generally control investment of such funds.

Risk Management

The Town is exposed to various risks of loss related to public officials liability; Board of Education liability; torts; thefts of, damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage from coverage in the prior year. The amount of claim settlements has not exceeded insurance coverage for any of the past three years.

The Board of Education has a self-insurance plan for dental expenses. Estimated amounts to pay claims are paid into an Internal Service Fund and are available to pay claims and to establish claim reserves of the program. During fiscal year 2014, expenses of \$65,996 were paid for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,580 have been accrued as a liability based upon an estimated of historical claim activity by the Plan Administrator.

Compensated Absences

Employees are paid in accordance with a prescribed formula for absence due to vacation or sickness. Accumulated vacation and sick pay earned and not paid as of June 30, 2014 is reflected in the government-wide statement of net assets in the amount of \$1,075,204 for Town and Board of Education employees. It is not anticipated that current resources will be used to finance these termination benefits.

Assessment Practices

Under Section 12-62 of the Connecticut General Statutes, as amended, the Town must update all real estate values every five years and conduct a physical inspection of all real properties every ten years. The Town completed its last general revaluation for the October 1, 2012 grand list. A statistical revaluation will be required for the assessment year commencing October 1, 2017.

The Assessor's Office is responsible for locating and appraising all real and personal property within the Town for inclusion onto the grand list. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for both motor vehicles and personal property are computed at 70% of the current fair market value. Each year the Town's Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and the structure is given a new fair market value determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted by the Assessor's office periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles (“DMV”). The Office of Policy and Management has recommended that the average retail values contained in the National Automobile Dealers Association pricing guides be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the DMV after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 grand list. If such registration occurs subsequent to November 1 but prior to the following August 1, the tax is prorated, and the proration is based on the period of time from the date of registration until the following October 1. Motor vehicles purchased in August and September are not taxed until the next October 1 grand list.

The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Assessor’s Office is also responsible for the administration of several property exemption and payment-in-lieu-of-taxes programs which include, but are not limited to, the following: special veterans programs; elderly tax relief for homeowners and renters; farm, forest and open space; blind and disabled taxpayers; manufacturing exemptions; and State-owned property reimbursement programs.

Tax Levy and Collection

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real and personal property taxes are billed in the following July and are payable in two installments on July 1 and January 1, except motor vehicle taxes and real and personal property taxes under \$100 which are payable in full on July 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle, real estate and personal property tax accounts that are deemed uncollectible are transferred to a suspense account at which time they cease to be carried as receivables. Tax accounts are transferred to a suspense account no later than 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

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Historic Tax Levies and Collections

FY Ending 30-Jun	Net Taxable Grand List	Tax Rate (In Mills)	Total Adjusted Tax Levy	% Collected End of Each FY	Uncollected End of Each FY	Uncollected As of 6/30/2015 ²
2016 ¹	\$852,756,014	28.68	\$24,398,015	In process	In process	In process
2015 ²	845,886,716	27.90	23,667,567	98.8%	\$288,251	\$288,251
2014 ³	844,692,545	26.01	21,965,909	98.5%	327,769	94,853
2013	989,613,621	21.52	21,253,861	98.9%	240,277	27,991
2012	983,733,633	21.10	20,680,064	98.9%	221,751	17,097
2011	976,174,837	20.87	20,334,570	99.0%	195,777	16,911
2010	971,253,373	20.55	19,953,985	99.1%	177,157	16,119
2009 ³	974,723,297	20.55	20,064,556	98.9%	218,246	12,335
2008	700,800,600	27.78	19,513,888	99.0%	189,167	9,743
2007	679,832,790	27.23	18,609,796	99.2%	146,267	4,746

¹ Adopted budget.

² Unaudited estimate

³ Year of revaluation.

Source: Town Officials, Fiscal Years 2014-15 and 2015-16 Adopted Budgets.

Taxable Grand List (\$ in thousands)

Grand List Dated	Real Property	Motor Vehicle Property	Personal Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/1/14	\$828,686,930	\$72,383,130	\$21,389,365	\$922,459,425	\$69,703,411	\$852,756,014
10/1/13	762,571,961	70,588,902	19,515,024	852,675,887	6,789,171	845,886,716
10/1/12 ¹	762,603,230	71,392,447	18,486,410	852,482,087	7,789,542	844,692,545
10/1/11	908,096,420	71,554,860	17,576,395	997,227,675	7,614,054	989,613,621
10/1/10	905,649,680	68,211,385	17,318,100	991,179,165	7,445,532	983,733,633
10/1/09	900,399,070	65,774,755	17,559,762	983,733,587	7,558,750	976,174,837
10/1/08	898,704,631	62,966,551	17,508,254	979,179,436	7,926,063	971,253,373
10/1/07 ¹	897,049,247	67,007,131	18,344,940	982,401,318	7,678,021	974,723,297
10/1/06	623,145,360	66,292,826	18,213,692	707,651,878	6,851,278	700,800,600
10/1/05	602,829,670	63,626,116	18,096,690	684,552,476	4,719,686	679,832,790

¹ Year of revaluation.

Source: Town Officials.

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Major Taxpayers

<u>Business-Name</u>	<u>Nature of Business</u>	<u>Total Estimated Assessment</u>	<u>Estimated Taxes</u>
Eversource	Public Utility	\$ 12,693,980	\$ 364,063
Fox Hopyard Golf Club LLC	Recreational	4,268,060	122,408
Hadlyme Hills LLC	Education	3,528,070	101,185
Banner Country Club Corp	Recreational	1,918,280	55,016
Healthcare Holdings LLC	Nursing and Rehabilitation	1,902,040	54,551
Fox Hopyard Realty	Real Estate	1,855,210	53,207
Banner Lodge Enterprises LLC	Real Estate	1,755,250	50,341
MJABC LLC	Resort (Inactive)	1,638,210	46,984
Goodspeed Opera House Foundation	Theatre	1,485,540	42,605
Wildwood Inc.	Real Estate	1,448,590	41,546
	Total	<u>\$ 32,493,230</u> ¹	<u>\$ 931,906</u> ²

¹ Represents 3.8% of the net taxable Grand List of \$852,756,014 for October 1, 2014.

² Represents 3.8% of the total adjusted tax levy of \$24,398,015 for fiscal year 2015-16.

Source: Town Officials.

Revenues

The Town derives its revenues from a direct tax levy on property, State of Connecticut and federal aid, various fees and charges, and other miscellaneous sources. Town revenues are summarized for fiscal years ended 2010-2014 in "Statements of General Fund Revenues, Expenditures and Changes in Fund Balance-General Fund" herein.

Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues & Transfers In</u>	<u>Property Tax Revenues</u>	<u>Property Tax Revenues as a of General Revenues</u>
2016 ¹	\$ 30,288,121	\$ 24,789,749	81.8 %
2015 ¹	29,599,259	23,757,724	80.3
2014	30,489,079	22,029,161	72.3
2013	29,828,279	21,408,513	71.8
2012	29,373,274	20,738,239	70.6
2011	28,782,589	20,410,472	70.9
2010	28,742,656	20,045,882	69.7
2009	29,609,999	20,122,690	68.0
2008 ²	33,199,093	19,615,568	59.1
2007	26,453,463	18,669,363	70.6

¹ Adopted Budget, budgetary basis of accounting, excludes on behalf payments to Connecticut State Teachers' Retirement System.

² Includes on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund which were larger than prior years as a result of the issuance of pension obligation bonds by the State of Connecticut.

Source: Town Officials, Fiscal Years 2014-15 and 2015-16 Adopted Budgets.

Intergovernmental Revenues

Fiscal Year	General Fund		Aid
	Revenues & Transfers In	Federal & State Aid	As a Percentage Of General Revenue
2016 ¹	\$ 30,288,121	\$ 4,512,567	14.9 %
2015 ¹	29,599,259	4,507,109	15.2
2014	30,489,079	7,143,416	23.4
2013	29,828,279	7,132,706	23.9
2012	29,373,274	7,001,530	23.8
2011	28,782,589	6,087,634	21.2
2010	28,742,656	6,102,332	21.2
2009	29,609,999	6,772,352	22.9
2008 ²	33,199,093	11,649,505	35.1
2007	26,453,463	5,754,603	21.8

¹ Adopted Budget, budgetary basis of accounting, excludes on behalf payments to Connecticut State Teachers' Retirement System.

² Includes on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund which were larger than prior years as a result of the issuance of pension obligation bonds by the State of Connecticut.

Source: Town Officials, Fiscal Years 2014-15 and 2015-16 Adopted Budgets.

Expenditures

Fiscal Year	Education	General Government	Public Works	Debt Service	Public Safety
2016 ¹	64.1 %	8.5 %	6.4 %	6.6 %	3.1 %
2015 ¹	63.4	8.2	6.5	6.8	3.2
2014	70.2	10.4	6.1	5.6	2.9
2013	65.8	8.1	5.8	6.4	2.7
2012	69.1	7.3	5.5	6.8	3.0
2011	68.8	7.5	6.2	7.8	2.8
2010	64.6	6.8	5.8	7.6	2.5
2009	64.8	6.9	6.0	7.8	2.3
2008 ²	70.7	6.0	5.1	3.3	2.1
2007	66.9	6.9	6.1	4.4	2.4

¹ Adopted Budget, budgetary basis of accounting, excludes on behalf payments to Connecticut State Teachers' Retirement System.

² Includes on-behalf payments made by the State of Connecticut to the Teachers' Retirement Fund which were larger than prior years as a result of the issuance of pension obligation bonds by the State of Connecticut.

Source: Annual audited financial statements; Fiscal Years 2014-15 and 2015-16 Adopted Budgets.

Comparative General Fund Operating Statement
 Budget and Actual (Budgetary Basis)

	<u>Fiscal Year 2013-14</u>			<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>Revised</u>	<u>Actual</u>	<u>Variance</u>	<u>2014-15</u>	<u>2015-16</u>
	<u>Budget</u>	<u>Operations</u>	<u>Favorable</u>	<u>Adopted</u>	<u>Adopted</u>
			<u>(Unfavorable)</u>	<u>Budget</u>	<u>Budget</u>
REVENUES					
Property taxes, interest and liens	\$22,038,866	\$22,029,161	\$ (9,705)	\$ 23,757,724	\$ 24,536,475
Intergovernmental revenue	4,548,105	4,525,457	(22,648)	4,507,109	4,512,567
Investment income	35,550	21,722	(13,828)	35,000	18,000
Local revenue	618,945	688,133	69,188	711,986	692,950
Other revenues	240,459	306,201	65,742	218,859	218,859
TOTAL REVENUES	<u>27,481,925</u>	<u>27,570,674</u>	<u>88,749</u>	<u>29,230,678</u>	<u>29,978,851</u>
EXPENDITURES					
Current:					
General government	3,329,591	3,163,021	166,570	2,433,443	2,584,095
Public safety	880,862	883,445	(2,583)	943,543	948,954
Public works	1,876,330	1,847,995	28,335	1,910,413	1,928,109
Health and welfare	381,337	373,037	8,300	400,533	417,514
Recreation and leisure	459,069	439,436	19,633	475,181	525,126
Education	18,755,033	18,741,723	13,310	18,767,532	19,424,791
Debt service	1,711,428	1,711,428	-	2,007,689	1,994,265
TOTAL EXPENDITURES	<u>27,393,650</u>	<u>27,160,085</u>	<u>233,565</u>	<u>26,938,334</u>	<u>27,822,854</u>
Excess (deficiency) of revenues over expenditures	<u>88,275</u>	<u>410,589</u>	<u>322,314</u>	<u>2,292,344</u>	<u>2,155,997</u>
Other financing sources (uses):					
Appropriation of fund balance	-	-	-		
Operating transfers in	597,533	300,046	(297,487)	368,581	309,270
Operating transfers out	(890,066)	(893,835)	3,769	(2,660,925)	(2,465,267)
Total other financing sources (uses)	<u>(292,533)</u>	<u>(593,789)</u>	<u>(293,718)</u>	<u>(2,292,344)</u>	<u>(2,155,997)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (204,258)</u>	<u>\$ (183,200)</u>	<u>\$ 28,596</u>	<u>\$ -</u>	<u>\$ -</u>

Comparative Balance Sheets

Fiscal Year Ended:	2010	2011	2012	2013	2014
ASSETS					
Cash and cash equivalents	\$ 4,695,281	\$ 5,877,178	\$ 4,306,316	\$ 4,027,430	\$ 1,682,157
Receivables, net	1,487,638	879,772	1,038,678	992,604	894,981
Due from other funds	2,138,781	1,351,107	2,123,381	1,217,860	2,959,440
Prepaid costs	-	-	85,612	-	-
TOTAL ASSETS	\$ 8,321,700	\$ 8,108,057	\$ 7,553,987	\$ 6,237,894	\$ 5,536,578
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 872,723	\$ 1,421,998	\$ 947,258	\$ 582,600	\$ 358,777
Due to other funds	1,266,491	122,219	193,941	468,174	131,383
Deferred revenue	978,943	682,980	579,346	506,462	-
Unearned revenue	-	-	-	-	9,298
TOTAL LIABILITIES	3,118,157	2,227,197	1,720,545	1,557,236	499,458
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	-	-	-	-	615,616
FUND BALANCES					
Unreserved	5,203,543	-	-	-	-
Nonspendable	-	-	85,612	-	-
Restricted	-	-	-	-	-
Committed	-	11,187	19,629	-	-
Assigned	-	1,964,988	1,716,211	669,928	556,482
Unassigned	-	3,904,685	4,011,990	4,010,730	3,865,022
TOTAL FUND BALANCES	5,203,543	5,880,860	5,833,442	4,680,658	4,421,504
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,321,700	\$ 8,108,057	\$ 7,553,987	\$ 6,237,894	\$ 5,536,578

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund

Fiscal Year Ended:	2010	2011	2012	2013	2014
REVENUES					
Property taxes	\$ 20,045,882	\$ 20,410,472	\$ 20,738,239	\$ 21,408,513	\$ 22,029,161
Intergovernmental revenue	6,102,332	6,087,634	7,001,530	7,132,706	7,143,416
Charges for services	638,485	595,567	549,658	563,194	688,533
Income on investments	138,288	90,283	56,102	34,260	21,722
Miscellaneous	222,831	231,940	228,149	276,695	306,201
TOTAL REVENUES	27,147,818	27,415,896	28,573,678	29,415,368	30,189,033
EXPENDITURES					
Current:					
General government	2,028,426	2,106,862	2,157,894	2,522,244	3,171,004
Public safety	729,445	789,815	893,913	844,944	885,982
Public works	1,716,485	1,743,546	1,603,661	1,804,648	1,845,337
Health welfare	301,535	305,989	328,964	346,884	373,324
Recreation and leisure	307,896	272,735	278,112	314,829	433,626
Education	19,179,294	19,343,860	20,323,325	20,393,896	21,391,246
Debt service	2,253,262	2,181,385	2,009,501	1,970,267	1,711,428
Contingency	20,602	-	-	-	-
Capital outlay	964,546	1,024,276	1,414,252	1,432,827	42,451
TOTAL EXPENDITURES.....	27,501,491	27,768,468	29,009,622	29,630,539	29,854,398
<i>Excess (deficiency) of revenues over expenditures</i>	<i>(353,673)</i>	<i>(352,572)</i>	<i>(435,944)</i>	<i>(215,171)</i>	<i>334,635</i>
<i>Other financing sources (uses):</i>					
Operating transfers in	1,594,838	1,366,693	799,596	412,911	300,046
Operating transfers out	(2,182,956)	(336,804)	(411,070)	(1,350,524)	(893,835)
<i>Total other financing sources (uses)..</i>	<i>(588,118)</i>	<i>1,029,889</i>	<i>388,526</i>	<i>(937,613)</i>	<i>(593,789)</i>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</i>	<i>(941,791)</i>	<i>677,317</i>	<i>(47,418)</i>	<i>(1,152,784)</i>	<i>(259,154)</i>
<i>Fund Balance - July 1.....</i>	<i>6,145,334</i>	<i>5,203,543</i>	<i>5,880,860</i>	<i>5,833,442</i>	<i>4,680,658</i>
<i>Fund Balance - June 30</i>	<i>\$ 5,203,543</i>	<i>\$ 5,880,860</i>	<i>\$ 5,833,442</i>	<i>\$ 4,680,658</i>	<i>\$ 4,421,504</i>

SECTION VI – ADDITIONAL INFORMATION

Litigation

Following consultation with the Town Attorney and other attorneys providing legal services to the Town, Town officials advise that the Town of East Haddam, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Continuing Disclosure

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule"), (i) annual financial information and operating data, (ii) timely, but not in excess of ten (10) business days after the occurrence of the event, notices of the occurrence of certain events with respect to the Bonds, and (iii) timely notices of failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. To its knowledge, within the last five years from the date hereof, the Town has not failed to comply in any material respect with its undertakings under such agreements, except that the Town failed to provide the value of the total grand list for fiscal years ending June 30, 2010 through and including June 30, 2014 and to provide tax collections and property taxes receivable for the fiscal year ending June 30, 2013 as part of its annual financial information filings to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") by the date required in its continuing disclosure agreements. The Town's audited financial statements and certain operating data, including a list of the ten largest taxpayers on the applicable grand list and each such taxpayer's taxable valuation thereon, were timely filled in accordance with its continuing disclosure agreements. On October 28, 2015, the Town filed with EMMA the omitted information along with a notice of the failure to provide such information with respect thereto. The Town will ensure that such information is filed in connection with its future annual filings as required under its continuing disclosure agreements. Additionally, the Town has entered into an agreement with Independent Bond & Investments Consultants LLC to assist it in connection with its future continuing disclosure obligations.

Municipal Advisor

The Town has retained Independent Bond and Investment Consultants LLC of Madison, Connecticut, as municipal advisor in connection with the issuance and sale of the Bonds. Although Independent Bond and Investment Consultants LLC has assisted in the preparation of the Official Statement, Independent Bond and Investment Consultants LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Independent Bond and Investment Consultants LLC is an SEC and MSRB registered municipal advisor and is not engaged in the business of providing investment advice, underwriting, trading or distributing municipal securities or other public securities.

Documents to Be Furnished at Closing

The Underwriter will be furnished the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the First Selectman, the Treasurer and Finance Director, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that on the date thereof and as of the date of the Bond Purchase Agreement, the representations and warranties contained in the Bond Purchase Agreement were true and correct and the descriptions and statements in the Official Statement relating to the Town of East Haddam and its finances were true and correct in all material respects and did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change

in the financial condition of the Town from that set forth in or contemplated by the Official Statement;

3. Receipt for the purchase price of the Bonds;
4. The approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford and New Haven, Connecticut, substantially in the form attached hereto as Appendix B;
5. Executed Continuing Disclosure Agreement substantially in the form attached hereto as Appendix C;
6. The Town will furnish the Underwriter with a reasonable number of Official Statements for the Bonds, as prepared for this issue at the Town's expense within seven business days after the execution of the Bond Purchase Agreement; and
7. Any other documents required by the Bond Purchase Agreement.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the principal office of U.S. Bank National Association in Hartford, Connecticut and may be examined upon reasonable notice.

Concluding Statement

This Official Statement has been prepared and is submitted in connection with the initial offering and sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Town and duly executed and delivered on its behalf by the Town.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

TOWN OF EAST HADDAM, CONNECTICUT

By /s/ MARK B. WALTER
Mark B. Walter, First Selectman

By /s/ KATHLEEN A. KLINCK
Kathleen A. Klinck, Treasurer

By /s/ CYNTHIA R. VARRICCHIO
Cynthia R. Varricchio, Finance Director

November 3, 2015

APPENDIX A – AUDITED FINANCIAL STATEMENTS

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BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of East Haddam, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haddam, Connecticut, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of East Haddam, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 East Haddam, Connecticut, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 9, the budgetary comparison information on pages 47 through 51 and supplementary pension information on pages 52 through 54 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 5, 2014

TOWN OF EAST HADDAM, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

This discussion and analysis of the Town of East Haddam, Connecticut's (the Town) financial performance is provided by management to give an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities by \$73,360,322 (net position). Of this amount \$15,904,786 (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 \$3,502,438 or 5%. Factors leading to this increase were the creation of the East Haddam Public Library system and the assets of the Rathbun Free Memorial Library transferring to the Town and open space acquisitions.
- The Town's governmental funds reported combined ending fund balances of \$17,077,682 an increase of \$1,492,135 in comparison with the prior year. The increase in combined fund balance is largely attributed to grant funding for school projects, grant funding for open space and A.E. Purple Fund investment income. Approximately 21% or \$3,605,882 of this total amount is available for spending at the Town's discretion (unassigned fund balance).
- The unassigned balance for the General Fund was \$3,865,022 or 14% of the General Fund budgetary expenditures and other financing uses. The total General Fund balance was \$4,421,504, representing a decrease of \$259,154.
- As of July 1, 2013, the Reserves for Capital Projects Fund transitioned into a Capital Projects and Reserve Fund. All capital projects and reserves for capital projects are processed through this fund. The total Capital Projects and Reserve Fund balance was \$5,093,629, representing an increase of \$952,644.
- The Town's long-term debt increased by \$787,823, net of scheduled repayments and issuance of debt for open space acquisitions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, public works, health and welfare, recreation and leisure and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. The Town establishes many funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State Department of Education). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included in the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Board of Education Insurance Internal Service Fund.

- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's net position increased from \$69,857,884 to \$73,360,322. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION**

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 18,419,575	\$ 18,405,498
Capital assets	<u>75,147,464</u>	<u>72,415,790</u>
Total assets	<u>93,567,039</u>	<u>90,821,288</u>
Long-term debt outstanding	19,445,685	18,493,741
Other liabilities	<u>761,032</u>	<u>2,469,663</u>
Total liabilities	<u>20,206,717</u>	<u>20,963,404</u>
Net position:		
Net investment in capital assets	57,015,743	53,699,262
Restricted	439,793	439,793
Unrestricted	<u>15,904,786</u>	<u>15,718,829</u>
Total Net Position	<u>\$ 73,360,322</u>	<u>\$ 69,857,884</u>

Net position of the Town's governmental activities increased by 5%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$15,718,829 to \$15,904,786.

**TABLE 2
CHANGE IN NET POSITION**

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,188,238	\$ 1,083,006
Operating grants and contributions	7,454,924	7,329,311
Capital grants and contributions	3,016,523	1,336,024
General revenues:		
Property taxes	22,147,613	21,443,465
Grants and contributions not restricted to specific purposes	130,551	568,632
Unrestricted investment earnings	1,053,226	812,340
Other general revenues	213,124	144,561
Total revenues	<u>35,204,199</u>	<u>32,717,339</u>
Program expenses:		
General government	3,345,573	2,716,521
Public safety	965,776	968,500
Public works	2,638,216	2,568,999
Health and welfare	434,565	403,314
Recreation and leisure	596,262	431,952
Education	23,055,364	22,194,577
Interest on long-term debt	666,005	705,794
Total program expenses	<u>31,701,761</u>	<u>29,989,657</u>
Increase in Net Position	<u>\$ 3,502,438</u>	<u>\$ 2,727,682</u>

The Town's total revenues were \$35,204,199. The total cost of all programs and services was \$31,701,761. Our analysis below considers the operations of governmental activities.

Governmental Activities

Approximately 63% of the Town's revenues were derived from property taxes, followed by 21% from operating grants and contributions, 9% for capital grants and contributions and then 3% from charges for services.

The Town completed a revaluation effective October 1, 2012. The mill rate for 2014 increased by 4.49 mills as a result of the October 1, 2012 revaluation and the impact on the grand list; the net grand list reduction was approximately 15%. The mill rate for fiscal year 2014 was 26.01. The mill rate for fiscal year 2013 was 21.52.

For Governmental Activities, 73% of the Town's expenditures relate to education, 8% relate to public works and 11% relate to general government.

Governmental Activities

Table 3 presents the cost of each of the Town’s largest programs - general government, public safety, public works, health and welfare, recreation and leisure and education - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
General government	\$ 3,345,573	\$ 2,716,521	\$ 2,906,547	\$ 2,317,573
Public safety	965,776	968,500	796,662	923,800
Public works	2,638,216	2,568,999	1,444,888	1,579,289
Health and welfare	434,565	403,314	412,060	342,573
Recreation and leisure	596,262	431,952	(1,397,619)	223,812
Education	23,055,364	22,194,577	15,213,533	14,152,060
Other	666,005	705,794	666,005	702,209
Totals	\$ 31,701,761	\$ 29,989,657	\$ 20,042,076	\$ 20,241,316

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$17,077,682 which is an increase from last year’s total of \$15,585,547. The increase in combined fund balance is largely attributed to grant funding for school projects, grant funding for open space and A.E. Purple Fund investment income.

General Fund Budgetary Highlights

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

In 2011, the Town established a reserve for future Education capital projects. For the fiscal year ended June 30, 2014, there was a \$100,000 budgeted transfer as well as a \$204,258 transfer, which represented the Board of Education fiscal year ended June 30, 2013 surplus, net of encumbrances.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the Town had \$75 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and roads (see Table 4). The increase (including additions and deductions) of \$2.7 million was primarily due to the creation of the East Haddam Public Library system and the assets of the Rathbun Free Memorial Library transferring to the Town and open space acquisitions.

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

	Governmental Activities	
	2014	2013
Land	\$ 8,594	\$ 7,928
Building and improvements	50,808	49,678
Furniture and equipment	3,065	2,581
Infrastructure	12,428	12,081
Construction in progress	252	148
Totals	<u>\$ 75,147</u>	<u>\$ 72,416</u>

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

Long-Term Debt

TABLE 5
OUTSTANDING DEBT, AT YEAR END

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 16,050,000	\$ 17,025,000
Notes payable	2,009,351	246,528
Total	<u>\$ 18,059,351</u>	<u>\$ 17,271,528</u>

At June 30, 2014, the Town had \$18 million in bonds and notes outstanding versus \$17 million last year.

The State limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$154.0 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when adopting the fiscal year 2014-2015 General Fund budget.

Revenues: The Town anticipated increased revenues from state, federal and local sources. The budget includes a reliance on the general fund of \$69 thousand to reduce the tax increase to our citizens; a reduction of \$242 thousand from the prior year budgeted reliance. The budget provides for an increase in budgeted property taxes of \$1.7 million or 7.8%. The mill rate increased by 1.89. The mill rate for fiscal year 2014-2015 is 27.90.

Expenses: The expenditure budget for 2014-2015 is \$29,599,259 or an increase of \$1.1 million. The increase is attributed to improved public safety - police and fire staffing, debt service, General Fund support for capital projects and increased reserving for future capital projects.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 8,535,227
Investments	7,524,131
Receivables, net	2,308,938
Inventory	3,726
Net pension asset	47,553
Capital assets not being depreciated	8,846,122
Capital assets being depreciated, net	66,301,342
Total assets	<u>93,567,039</u>
Liabilities:	
Accounts and other payables	623,656
Unearned revenue	137,376
Noncurrent liabilities:	
Due within one year	1,794,661
Due in more than one year	17,651,024
Total liabilities	<u>20,206,717</u>
Net Position:	
Net investment in capital assets	57,015,743
Restricted for trust purposes	439,793
Unrestricted	15,904,786
Total Net Position	<u>\$ 73,360,322</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
General government	\$ 3,345,573	\$ 434,726	\$ 4,300	\$	\$ (2,906,547)
Public safety	965,776	138,165	30,949		(796,662)
Public works	2,638,216	219,128		974,200	(1,444,888)
Health and welfare	434,565	1,298	21,207		(412,060)
Recreation and leisure	596,262	161,498	5,230	1,827,153	1,397,619
Education	23,055,364	233,423	7,393,238	215,170	(15,213,533)
Interest on long-term debt	666,005				(666,005)
Total	<u>\$ 31,701,761</u>	<u>\$ 1,188,238</u>	<u>\$ 7,454,924</u>	<u>\$ 3,016,523</u>	<u>(20,042,076)</u>
General revenues:					
Property taxes					22,147,613
Grants and contributions not restricted to specific programs					130,551
Unrestricted net investment income					1,053,226
Other					213,124
Total general revenues					<u>23,544,514</u>
Change in net position					3,502,438
Net Position at Beginning of Year					<u>69,857,884</u>
Net Position at End of Year					<u>\$ 73,360,322</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,682,157	\$ 6,437,603	\$ 109,216	\$ 258,833	\$ 8,487,809
Investments			6,535,755	988,376	7,524,131
Receivables, net	894,981	1,328,117		85,840	2,308,938
Due from other funds	2,959,440			131,383	3,090,823
Prepays				3,726	3,726
Total Assets	<u>\$ 5,536,578</u>	<u>\$ 7,765,720</u>	<u>\$ 6,644,971</u>	<u>\$ 1,468,158</u>	<u>\$ 21,415,427</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 358,777	\$ 5,677		\$ 129,476	\$ 493,930
Due to other funds	131,383	2,666,414		293,026	3,090,823
Unearned revenue	9,298			128,078	137,376
Total liabilities	<u>499,458</u>	<u>2,672,091</u>	<u>-</u>	<u>550,580</u>	<u>3,722,129</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	602,616				602,616
Unavailable revenue - loans receivable	13,000				13,000
Total deferred inflows of resources	<u>615,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615,616</u>
Fund balances:					
Nonspendable			400,000	43,519	443,519
Restricted			6,244,971	1,066,223	7,311,194
Committed		4,984,328		33,773	5,018,101
Assigned	556,482	109,301		33,203	698,986
Unassigned	3,865,022			(259,140)	3,605,882
Total fund balances	<u>4,421,504</u>	<u>5,093,629</u>	<u>6,644,971</u>	<u>917,578</u>	<u>17,077,682</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,536,578</u>	<u>\$ 7,765,720</u>	<u>\$ 6,644,971</u>	<u>\$ 1,468,158</u>	<u>\$ 21,415,427</u>

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TOWN OF EAST 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:

Fund balances - total governmental funds (Exhibit III)		\$ 17,077,682
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 99,040,264	
Less accumulated depreciation	<u>(23,892,800)</u>	
Net capital assets		75,147,464
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Property tax receivables greater than 60 days		478,236
Interest receivable on property taxes		124,380
Loans receivable		13,000
Net pension asset		47,553
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.		
		36,848
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable		(18,059,351)
Interest payable on bonds and notes		(119,156)
Compensated absences		(1,075,204)
Bond premium		(72,370)
Termination benefits		(142,567)
Net OPEB obligation		<u>(96,193)</u>
Net Position of Governmental Activities (Exhibit I)		\$ <u><u>73,360,322</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Capital Projects and Reserve Fund</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 22,029,161	\$	\$	\$	\$ 22,029,161
Intergovernmental	7,143,416	494,150		730,168	8,367,734
Charges for services	688,533			499,705	1,188,238
Income on investments	21,722	17,196	901,318	112,990	1,053,226
Miscellaneous	306,201			308,783	614,984
Total revenues	<u>30,189,033</u>	<u>511,346</u>	<u>901,318</u>	<u>1,651,646</u>	<u>33,253,343</u>
Expenditures:					
Current:					
General government	3,171,004			6,640	3,177,644
Public safety	885,982				885,982
Public works	1,845,337			206,874	2,052,211
Health and welfare	373,324			32,401	405,725
Recreation and leisure	433,626			103,379	537,005
Education	21,391,246		54,292	983,086	22,428,624
Debt service	1,711,428	22,149		563,212	2,296,789
Capital outlay	42,451	2,323,217		6,560	2,372,228
Total expenditures	<u>29,854,398</u>	<u>2,345,366</u>	<u>54,292</u>	<u>1,902,152</u>	<u>34,156,208</u>
Excess (Deficiency) of Revenues over Expenditures	<u>334,635</u>	<u>(1,834,020)</u>	<u>847,026</u>	<u>(250,506)</u>	<u>(902,865)</u>
Other Financing Sources (Uses):					
Note proceeds		1,845,000		550,000	2,395,000
Transfers in	300,046	941,664		22,269	1,263,979
Transfers out	(893,835)		(270,991)	(99,153)	(1,263,979)
Total other financing sources (uses)	<u>(593,789)</u>	<u>2,786,664</u>	<u>(270,991)</u>	<u>473,116</u>	<u>2,395,000</u>
Net Change in Fund Balances	(259,154)	952,644	576,035	222,610	1,492,135
Fund Balances at Beginning of Year	<u>4,680,658</u>	<u>4,140,985</u>	<u>6,068,936</u>	<u>694,968</u>	<u>15,585,547</u>
Fund Balances at End of Year	<u>\$ 4,421,504</u>	<u>\$ 5,093,629</u>	<u>\$ 6,644,971</u>	<u>\$ 917,578</u>	<u>\$ 17,077,682</u>

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TOWN OF EAST 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:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,492,135
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Governmental funds report capital outlays as expenditures and donations of capital assets as revenues. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,342,457
Donated capital assets	1,827,153
Depreciation expense	(1,437,936)

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

Property tax receivable - accrual basis change	97,853
Property tax interest and lien revenue - accrual basis change	20,599

Change in pension assets and liabilities	49,327
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bonds and notes principal payments	1,607,177
Issuance of bonds and notes	(2,395,000)
Bond premiums amortized	5,436

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(123,637)
Accrued interest	(3,978)
Termination payments	41,583
Net OPEB expense	(11,471)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

(9,260)

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u><u>3,502,438</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:	
Cash and cash equivalents	\$ 47,418
Liabilities:	
Accounts and other payables	<u>10,570</u>
Net Position:	
Unrestricted	\$ <u><u>36,848</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Employer contribution	\$ 16,066
Employee contribution	45,052
Total operating revenues	<u>61,118</u>
Operating Expenses:	
Administrative expense	4,382
Employee benefits	65,996
Total operating expenses	<u>70,378</u>
Operating Loss	(9,260)
Net Position at Beginning of Year	<u>46,108</u>
Net Position at End of Year	<u>\$ 36,848</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from employees and employer	\$ 61,118
Cash payments to providers of benefits and administration	<u>(69,302)</u>
Net cash used in operating activities	<u>(8,184)</u>
Net Decrease in Cash and Cash Equivalents	(8,184)
Cash and Cash Equivalents at Beginning of Year	<u>55,602</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 47,418</u></u>
Reconciliation of Operating Loss to Net	
Cash Used in Operating Activities:	
Operating loss	\$ (9,260)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>1,076</u>
Net Cash Used in Operating Activities	<u><u>\$ (8,184)</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2014

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 117,429	\$ 345,552
Investments	3,054,027	
Receivables	<u>36,913</u>	<u> </u>
Total assets	3,208,369	<u>\$ 345,552</u>
Liabilities:		
Accounts and other payables	<u> </u>	<u>\$ 345,552</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 3,208,369</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 222,996
Plan members	189,239
Total contributions	<u>412,235</u>
Investment income:	
Net increase in fair value of investments	43,453
Interest and dividends	<u>239,073</u>
Total additions	<u>694,761</u>
Deductions:	
Benefits	243,405
Administration	<u>12,687</u>
Total deductions	<u>256,092</u>
Net Increase	438,669
Net Position at Beginning of Year	<u>2,769,700</u>
Net Position at End of Year	<u>\$ 3,208,369</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town operates under the provisions of the Connecticut General Statutes. The form of government includes a Board of Selectmen consisting of a First Selectman, who is the chief administrative and executive official of the Town, and two other members. The Board of Selectmen and the Town Meeting have the legislative power of the Town and may enact ordinances consistent with the General Statutes. A nine-member Board of Education is responsible for the operation of the public school system.

A six-member Board of Finance is responsible for presenting fiscal operating budgets for Town Meeting approval. The Treasurer receives all money belonging to the Town and makes expenditures based upon the appropriate authority.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

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

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

The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Student Activity Fund, Performance Bonds and Driveway Bonds are the Town's agency funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

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

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

D. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

Property taxes are assessed as of October 1 and billed the following July. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are filed on delinquent taxes by June 30 each year. Interest is charged on delinquent taxes at the rate of 1.5% per month (18% per year). An amount of \$19,852 has been established as an allowance for uncollectible taxes. At June 30, 2014, this represents 3.82% of all property taxes receivable.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Furniture and equipment	5-20
Public domain infrastructure	20-50

H. 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 currently report a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not report any deferred inflows of resources in the government-wide financial statements. For the governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from two sources: property taxes and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The liability for accumulated vacation and sick pay earned as of June 30, 2014 is reflected in the government-wide statement of net position.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

K. Equity

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

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

Restricted - Net position is restricted because the restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has assets under restriction in the A.E. Purple Fund, the Scholarship Trust Fund and the Cemetery Trust.

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

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

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for specific purposes by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of East Haddam Board of Finance).

Assigned Fund Balance - This balance represents amounts constrained for the intent to be used for a specific purpose by a governing body or a body or official that has been delegated authority to assign amounts by the Board of Finance.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a balance in deficit, it is reported as a negative amount in unassigned fund balance.

L. Termination Benefits

Upon the death or retirement from the teaching profession, a teacher who has been in the East Haddam School System for 20 or more years of active service shall be paid the equivalent of one-half of his or her accumulated sick leave. The teacher will be paid at the beginning of the next fiscal year. The maximum benefit available cannot exceed 40% of the salary schedule pay for the highest step of the MA column. Termination benefits as of June 30, 2014 totaled \$142,567. Payment will be paid over two fiscal years.

M. Compensated Absences

Town and noncertified Board of Education employees are granted vacation and sick leave based upon length of employment. In the event of termination, employees are compensated for accumulated vacation and depending on the terms of their union contract, sick time. At year end, accumulated vacation and unused sick leave was valued at \$1,075,204. The General Fund generally funds the cost associated with compensated absences.

N. Budget Overruns

Several individual lines within the General Fund budget in which expenditures exceeded appropriations were due to additional administrative costs, weather events, and insurance costs and shown in the following budget lines:

<u>Department</u>	<u>Amount</u>
Town Clerk	\$ 3,027
Fringe benefits	42,406
Legal services	36,361
Historic District Commission	193
Animal Control	5,858
Building Department	5,676
Resident troopers	11,094
Snow removal	21,041
Town garage maintenance	3,138
Health District	<u>425</u>
Total	<u>\$ 129,219</u>

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The General Fund budget is prepared in accordance with the Connecticut General Statutes.

The First Selectman distributes forms to Town Officials, who compile annual budget requests and return them to the First Selectman. The Board of Finance reviews all general government Selectmen budgets with the Board of Selectmen.

The Board of Education prepares its budget document and submits it to the Board of Finance. After reviewing requested expenditures and estimating revenues, the Board of Finance prepares a budget for public hearing. The legal budget is at the departmental level. Following the hearing, the Board meets in public session to prepare a recommended budget for the Town Meeting and referendum. When the budget is approved, the Board of Finance sets the tax rate.

The General Statutes provide the manner that is to be utilized by the Town Meeting in acting upon the budget, as well as the procedures to be utilized for additional appropriations during the year.

Funds for any additional appropriations or any emergency appropriations are drawn as directed by the Board of Finance from any available fund balance, an approved contingency fund or funds received or to be received from state, federal or other sources.

There were \$309,403 in supplemental appropriations during the year, and no appropriations were carried over to fiscal year 2015.

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

1. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year.
2. The budget for payroll expenditures is prepared on a cash basis. Accrued payroll has been recorded as expenditures (Exhibit IV) in accordance with GAAP.
3. The Town does not budget for revenue or expenditures for pension contributions made by the State of Connecticut for East Haddam teachers. The amount of this contribution was \$2,246,766.
4. The Maintenance, Technology and Grange Hall Funds are combined for financial reporting purposes and are not budgeted within the General Fund.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$8,911,848 of the Town's bank balance of \$10,158,159 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,970,663
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>941,185</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 8,911,848</u>

Cash Equivalents

At June 30, 2014, the Town's cash equivalents amounted to \$56,213. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

Investments

As of June 30, 2014, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities		
			Less Than 1	1-10	More Than 10
Interest-bearing investments:					
Certificates of deposit	*	\$ 225,838	\$ 225,838	\$	\$
Corporate bonds	AA+	3,795		3,795	
Corporate bonds	AA-	4,001		4,001	
Corporate bonds	A+	9,102	9,102		
Corporate bonds	A	14,259	9,092	5,167	
Corporate bonds	A-	28,918	19,687	9,231	
Corporate bonds	BAA1	9,073	9,073		
Corporate bonds	BBB+	2,548		2,548	
Corporate bonds	BBB	2,061		2,061	
U.S. Government obligations	N/A	613,999	86,174	513,828	13,997
Total		913,594	\$ 358,966	\$ 540,631	\$ 13,997
Other investments:					
Common stock	N/A	3,319,960			
Pension investments held by insurance company	N/A	3,054,027			
Mutual funds	N/A	1,823,002			
Alternative investments	N/A	1,467,575			
Total		\$ 10,578,158			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A - Not applicable

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

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

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

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2014, the Town had \$3,319,960 uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

4. RECEIVABLES

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

	<u>General</u>	<u>Reserve for Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Interest	\$ 124,380	\$	\$	\$ 124,380
Taxes	519,147			519,147
Accounts	101,246		47,728	148,974
Intergovernmental	170,060	1,328,117	75,025	1,573,202
Gross receivables	<u>914,833</u>	<u>1,328,117</u>	<u>122,753</u>	<u>2,365,703</u>
Less allowance for uncollectibles	<u>(19,852)</u>			<u>(19,852)</u>
Net Total Receivables	<u>\$ 894,981</u>	<u>\$ 1,328,117</u>	<u>\$ 122,753</u>	<u>\$ 2,345,851</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,927,530	\$ 666,611	\$	\$ 8,594,141
Construction in progress	147,709	140,505	(36,233)	251,981
Total capital assets not being depreciated	<u>8,075,239</u>	<u>807,116</u>	<u>(36,233)</u>	<u>8,846,122</u>
Capital assets being depreciated:				
Buildings and improvements	62,764,412	1,802,783		64,567,195
Furniture and equipment	6,600,221	887,803		7,488,024
Infrastructure	17,430,782	708,141		18,138,923
Total capital assets being depreciated	<u>86,795,415</u>	<u>3,398,727</u>	<u>-</u>	<u>90,194,142</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,086,302)	(673,183)		(13,759,485)
Furniture and equipment	(4,018,721)	(403,875)		(4,422,596)
Infrastructure	(5,349,841)	(360,878)		(5,710,719)
Total accumulated depreciation	<u>(22,454,864)</u>	<u>(1,437,936)</u>	<u>-</u>	<u>(23,892,800)</u>
Total capital assets being depreciated, net	<u>64,340,551</u>	<u>1,960,791</u>	<u>-</u>	<u>66,301,342</u>
Governmental Activities Capital Assets, Net	<u>\$ 72,415,790</u>	<u>\$ 2,767,907</u>	<u>\$ (36,233)</u>	<u>\$ 75,147,464</u>

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

Governmental activities:	
General government	\$ 137,641
Public safety	121,820
Public works	527,789
Health and welfare	32,769
Recreation and leisure	55,017
Education	<u>562,900</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>1,437,936</u></u>

There are no construction commitments at June 30, 2014.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through the General Fund on behalf of other funds. A summary of interfund balances as of June 30, 2014 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 131,383
General Fund	Reserve for Capital Projects	2,666,414
General Fund	Nonmajor governmental funds	<u>293,026</u>
		<u>\$ 3,090,823</u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Nonmajor Governmental</u>	
Transfers out:				
General Fund	\$	\$ 871,566	\$ 22,269	\$ 893,835
A.E. Purple Fund	270,991			270,991
Nonmajor governmental funds	<u>29,055</u>	<u>70,098</u>		<u>99,153</u>
Total	<u>\$ 300,046</u>	<u>\$ 941,664</u>	<u>\$ 22,269</u>	<u>\$ 1,263,979</u>

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

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 17,025,000	\$	\$ 975,000	\$ 16,050,000	\$ 1,100,000
Clean water notes	246,528		82,177	164,351	82,177
Note payable		2,395,000	550,000	1,845,000	140,000
Bond premiums	77,806		5,436	72,370	
Total bonds payable	<u>17,349,334</u>	<u>2,395,000</u>	<u>1,612,613</u>	<u>18,131,721</u>	<u>1,322,177</u>
OPEB liability	84,722	11,471		96,193	
Net pension obligation	1,774		1,774	-	
Compensated absences	951,567	128,301	4,664	1,075,204	377,571
Termination benefits	<u>184,150</u>	<u>32,164</u>	<u>73,747</u>	<u>142,567</u>	<u>94,913</u>
Governmental Activity Long-Term Liabilities	<u>\$ 18,571,547</u>	<u>\$ 2,566,936</u>	<u>\$ 1,692,798</u>	<u>\$ 19,445,685</u>	<u>\$ 1,794,661</u>

A schedule of bonds and notes outstanding at June 30, 2014 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2014</u>
Bonds and notes:					
General obligation	2010	2031	2.0-3.75	\$ 1,688,705	\$ 1,512,105
School	2010	2031	2.0-3.75	2,136,298	1,912,895
School	2008	2028	3.5-4.7	16,150,000	12,247,573
Open space	2008	2028	3.5-4.7	500,000	377,427
Sewer	1997	2016	3.9-4.6	1,561,364	164,351
Notes payable	2013	2024	1.5-2.5	2,395,000	<u>1,845,000</u>
Total Outstanding					<u>\$ 18,059,351</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,322,177	\$ 685,512
2016	1,377,174	617,091
2017	1,320,000	576,419
2018	1,330,000	532,794
2019	1,330,000	479,094
2020-2024	6,455,000	1,683,094
2025-2029	4,500,000	544,251
2030-2031	425,000	16,407
	<u>\$ 18,059,351</u>	<u>\$ 5,134,662</u>

A summary of bonds authorized unissued is presented below:

<u>Project</u>	<u>Authorization</u>	<u>Bonds and Notes Issued</u>	<u>Authorized Unissued</u>
Open Space	\$ 5,000,000	\$ 3,798,705	\$ 1,201,295
Clean Water Fund	34,448,000	18,836,295	15,611,705 *
Middle School Project	1,577,048	1,561,364	15,684
Municipal Property	<u>235,000</u>	<u>235,000</u>	<u>-</u>
Total	<u>\$ 41,260,048</u>	<u>\$ 24,431,364</u>	<u>\$ 16,828,684</u>

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

Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2014:

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2014</u>
Middle School Project	02-07-13	11-05-13	.35%	\$ 550,000	\$ -	\$ 550,000	\$ -
Open Space	02-07-13	11-05-13	.35%	660,000	-	660,000	-
Municipal Property	02-07-13	11-05-13	.35%	<u>235,000</u>	<u>-</u>	<u>235,000</u>	<u>-</u>
Total				<u>\$ 1,445,000</u>	<u>\$ -</u>	<u>\$ 1,445,000</u>	<u>\$ -</u>

The Town's indebtedness does not exceed the legal debt limitations as established by Connecticut General Statutes as reflected in the following schedule (in thousands):

<u>Category</u>	<u>Debt</u>		<u>Balance</u>
	<u>Limitation*</u>	<u>Indebtedness**</u>	
General purpose	\$ 49,525	\$ 4,936	\$ 44,589
Schools	99,050	14,160	84,890
Sewers	82,541	180	82,361
Urban renewal	71,536		71,536
Pension deficit	66,033		66,033

* In no case shall total indebtedness exceed seven times annual receipts from taxation (\$154,077).

** Indebtedness includes bonds authorized unissued of \$16 related to the Clean Water Fund, and \$1,201 related to open space.

Accrued sick and vacation pay for general government operations is \$313,367, and the amount for the Board of Education is \$761,837. This is an increase of \$123,637 from the previous year. The Board of Education has liabilities of \$142,567 related to retirement incentives and sick pay buyouts at retirement.

8. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

The Board of Education has a self-insurance plan for dental expenses. Estimated amounts to pay claims are paid into an Internal Service Fund and are available to pay claims and to establish claim reserves of the program. During fiscal year 2014, expenses of \$65,996 were incurred for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,570 have been accrued as a liability based upon an estimate of historical claim activity by the Plan Administrator.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The following table reflects the activity of the past two years:

	<u>Claims Payable July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2012-2013	\$ 10,686	\$ 57,655	\$ 58,847	\$ 9,494
2013-2014	9,494	65,996	64,920	10,570

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Firefighters Incentive Plan

Plan Description

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

As of June 30, 2013, the plans membership consisted of :

Retiree and beneficiaries currently receiving benefits	10
Inactive with deferred benefits	6
Current active members	<u>27</u>
Total	<u><u>43</u></u>

Management of the plan rests with the Firefighters Pension Committee, which consists of a member of the Board of Selectmen, a member of the Board of Finance, an officer of the fire department, a member at large and a member of the Board of Fire Commissioners.

Summary of Significant Accounting Policies

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

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

Investments are valued at fair value, based upon quoted market prices. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized as earned.

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

Funding Policy

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

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Firefighters Pension Committee by a majority vote of its members. It is the policy of the Firefighters Pension Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	30.0%
Domestic equity	55.0%
International equity	10.0%
Real estate	0.0%
Cash	<u>5.0%</u>
Total	<u><u>100.0%</u></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, was 14.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

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

Total pension liability	\$ 622,026
Plan fiduciary net position	<u>(456,899)</u>
Town's Net Pension Liability	<u><u>\$ 165,127</u></u>
Plan fiduciary net position as a percentage of the total pension liability	73.45%

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

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary increases	N/A
Investment rate of return	5.47%

Mortality rates were based on the RP-2000 mortality table for combined healthy participants projected to 2011, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 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) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	1.0%
Domestic equity	5.0%
International equity	6.0%
Real estate	6.0%
Cash	0.0%

Discount Rate: The discount rate used to measure the total pension liability was 5.47%. 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.

The discount rate changed from 5.50% as of June 30, 2013 to 5.47% as of the June 30, 2014 measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Town, calculated using the discount rate of 5.47%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.47%) or 1 percentage point higher (6.47%) than the current rate:

	<u>1% Decrease (4.47%)</u>	<u>Current Discount Rate (5.47%)</u>	<u>1% Increase (6.47%)</u>
Town's Net Pension Liability	\$ 248,972	\$ 165,128	\$ 95,124

Annual Pension Cost and Net Pension Obligations

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

Annual required contribution	\$ 29,915
Interest on net pension obligation	97
Adjustment to annual required contribution	<u>(157)</u>
Annual pension cost	29,855
Contributions made	<u>(79,182)</u>
Decrease in net pension obligation	(49,327)
Net pension obligation (asset), beginning of year	<u>1,774</u>
Net Pension Obligation (Asset), End of Year	<u>\$ (47,553)</u>

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

Valuation Date	6/30/2013
Actuarial Cost Method	Entry Age Level Dollar Method
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	18 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	5.47%

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2012	\$ 48,417	\$ 35,646	73.6 %	\$ 12,771
6/30/2013	28,708	39,705	138.3	1,774
6/30/2014	29,855	79,182	265.2	(47,553)

B. Municipal Employees' Retirement Fund (Savings Plan)

The Municipal Employees' Retirement Fund (Savings Plan) is a defined contribution individual savings account plan. The plan, effective July 1, 1986, covers all full-time Town employees and noncertified school employees who work over 500 hours annually, except for those employees who are covered under State of Connecticut Municipal Employees Retirement Fund. Contributions to the plan are made both by the Board of Education and Town (2-3% and 5.0%, respectively, of annual compensation) and the employee (minimum 2.0-3.5% of annual compensation to a maximum 13%). Currently, there are 79 members participating in the plan. Benefits are vested at 20% after the first two years and 20% each year thereafter, with 100% vesting after six years. Normal retirement age is 65 with provisions for early retirement. The participants are funding individual savings accounts and they have several options as to the method of receiving pension benefits (i.e., lump sum, annuity, etc.). During the year, the employees contributed \$194,779 and employer contributions were \$145,508 to the plan. These amounts represent 6.2% and 4.6%, respectively, of covered payroll of \$3,166,853. Total Town and Board of Education payroll amounted to \$14,655,093.

The plan was created by the authority of the Board of Selectmen and can be amended by that Board. This plan is reported as a Pension Trust Fund in this report. The plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. All investments are invested and administered by the Sentry Insurance Company and are reported at fair value. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

C. Financial Information for Separate Plans

Statement of Net Position

	Pension Trust Funds		
	Employee Savings Plan	Firefighters Incentive Plan	Total Trust Funds
Assets:			
Cash and cash equivalents	\$ 66,199	\$ 51,230	\$ 117,429
Investments	2,685,271	368,756	3,054,027
Receivables		36,913	36,913
Total assets	<u>2,751,470</u>	<u>456,899</u>	<u>3,208,369</u>
Net Position:			
Held in Trust for Pension Benefits	<u>\$ 2,751,470</u>	<u>\$ 456,899</u>	<u>\$ 3,208,369</u>

Statement of Changes in Plan Assets

	Pension Trust Funds		
	Employee Savings Plan	Firefighters Incentive Plan	Total Trust Funds
Additions:			
Contributions:			
Employer	\$ 143,814	\$ 79,182	\$ 222,996
Plan members	189,239		189,239
Total contributions	<u>333,053</u>	<u>79,182</u>	<u>412,235</u>
Investment income:			
Net increase in fair value of investments		43,453	43,453
Interest and dividends	231,040	8,033	239,073
Net investment income	<u>231,040</u>	<u>51,486</u>	<u>282,526</u>
Total additions	<u>564,093</u>	<u>130,668</u>	<u>694,761</u>
Deductions:			
Benefits	206,325	37,080	243,405
Administration		12,687	12,687
Total deductions	<u>206,325</u>	<u>49,767</u>	<u>256,092</u>
Net Increase	357,768	80,901	438,669
Net Position at Beginning of Year	<u>2,393,702</u>	<u>375,998</u>	<u>2,769,700</u>
Net Position at End of Year	<u><u>\$ 2,751,470</u></u>	<u><u>\$ 456,899</u></u>	<u><u>\$ 3,208,369</u></u>

D. Length of Service Award Plan

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

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

Active members in the plan will receive benefits of \$500 for each of the volunteer's first five years of service on July 1st of the plan year that immediately follows the plan year for which the eligible volunteer met the five-year requirement. Participants will receive \$500 for each additional year, not to exceed \$20,000. No volunteers have met this eligibility requirement by the end of the fiscal year, and no employer contributions have been made under this plan as of June 30, 2014.

E. State of Connecticut Municipal Employees' Retirement Fund

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

Funding Policy - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 11.79% of annual covered payroll. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2014, 2013 and 2012 were \$63,263, \$62,612 and \$57,094, respectively, equal to the required contributions for each year.

F. Connecticut State Teachers' Retirement Board

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

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$9,076,881 or 75.5% of the total Board of Education payroll of \$12,029,355.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2014, the Town has recorded, in the General Fund, intergovernmental revenue and educational expenditures in the amount of \$2,246,766 as payments made by the State of Connecticut on behalf of the Town.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

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

At July 1, 2014, plan membership consisted of the following:

	Post- Retirement Medical Program
Active participants	160
Inactive participants	19
Total Participants	179

B. Funding Policy

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

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

- UPSEU Board of Education employees are eligible for retiree health care coverage for lifetime upon attainment of age 55 with 20 years of service.
- Teachers and School Administrators are eligible for retiree health care coverage for lifetime at the earlier of age 55 with 20 years of service or 25 years of service.
- Board of Education employees with individual contracts are assumed to be eligible for retiree health care coverage for lifetime upon attainment of age 55 with 20 years of service. The following employees have individual contracts: Superintendent.

- Town employees who retire upon Medicare eligibility are eligible to purchase Medicare Supplement coverage through the Town. No retiree health care benefits are offered to Town employees who retire prior to Medicare eligibility.
- Surviving spouses of retired teachers and nonteachers at the school are allowed to remain on the plan.
- Surviving spouses of retirees and actives eligible to retire are allowed to remain on the plan.

C. Annual OPEB Cost and Net OPEB Obligations

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

	<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$ 84,695
Interest on net OPEB obligation	3,812
Adjustment to annual required contribution	<u>(3,612)</u>
Annual OPEB cost	84,895
Contributions made	<u>(73,424)</u>
Increase in net OPEB obligation	11,471
Net OPEB obligation at beginning of year	<u>84,722</u>
Net OPEB Obligation at End of Year	<u><u>\$ 96,193</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous three fiscal years are presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 84,895	\$ 73,424	86.5%	\$ 96,193
6/30/13	82,127	67,362	82.0	84,722
6/30/12	68,356	59,368	86.9	69,957

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll (b-a)/c
7/1/2013	\$	\$ 962,572	\$ 962,572	0 %	\$ 10,144,988	9.5 %
7/1/2012		947,220	947,220	0	9,849,503	9.6
7/1/2011		780,967	780,967	0	12,186,633	6.4

Schedule of Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
6/30/2014	\$ 73,424	\$ 84,695	86.7 %
6/30/2013	67,362	81,961	82.2
6/30/2012	59,368	68,211	87.0

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

In the latest actuarial valuation, July 1, 2013, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using an open group. The UAAL is being amortized on a level percentage of pay over 30 years.

11. FUND BALANCES

A. Components

	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 3,726	\$ 3,726
Endowment			400,000	39,793	439,793
Restricted for:					
Capital projects				775,784	775,784
General government				880	880
Recreation				32,008	32,008
Education			6,244,971		6,244,971
Health and welfare				217,896	217,896
Sewer use				39,655	39,655
Committed to:					
Education		523,113		12,193	535,306
General government				5,321	5,321
Public safety		571,678			571,678
Recreation		30,095		16,259	46,354
Capital projects		3,788,566			3,788,566
Open space		70,876			70,876
Assigned to:					
Education	140,699				140,699
General government		109,301			109,301
Public works	339,912			18,000	357,912
Recreation	7,070				7,070
Capital projects				15,203	15,203
Subsequent year's budget	68,801				68,801
Unassigned	<u>3,865,022</u>			<u>(259,140)</u>	<u>3,605,882</u>
 Total Fund Balances	 <u>\$ 4,421,504</u>	 <u>\$ 5,093,629</u>	 <u>\$ 6,644,971</u>	 <u>\$ 917,578</u>	 <u>\$ 17,077,682</u>

B. Fund Deficits

The Bridge Construction Fund, a nonmajor capital projects fund, has a deficit fund balance of \$259,140 primarily due to a pending disagreement between the State of Connecticut and the Town's contractor as it relates to contract compliance. This deficit will be funded by General Fund contributions and/or additional state revenues.

12. CONTINGENT LIABILITIES

The Town, its officials, employees, boards and commissions are defendants in several lawsuits. It is the opinion of Town officials that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town that would materially adversely affect its financial position.

13. LIBRARY TRANSFER OF OPERATIONS

During the year, the Town took over operations of the Rathbun Free Memorial Library (the Library), as the continuation of library activities was uncertain due to a lack of sufficient funding. In transferring operations to the Town, the Library also transferred assets of \$1,827,153, which was comprised of the Library building and the books and furnishings within it and included as capital assets within the financial statements. There were no liabilities associated with these assets.

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Property taxes:				
Current and prior years' levies	\$ 21,915,866	\$ 21,915,866	\$ 21,862,147	\$ (53,719)
Interest and penalties	115,000	115,000	159,243	44,243
Other taxes	8,000	8,000	7,771	(229)
Total property taxes	<u>22,038,866</u>	<u>22,038,866</u>	<u>22,029,161</u>	<u>(9,705)</u>
Intergovernmental revenues:				
General government:				
Chester Assessor agreement	45,577	45,577	45,613	36
PILOT State property	28,530	28,530	28,552	22
Casino funds	27,111	27,111	24,978	(2,133)
State highway - Town Aid Road	333,804	333,804	334,397	593
Local Capital Improvement Program	89,741	89,741	89,171	(570)
Senior Transportation Grant	15,677	15,677		(15,677)
Emergency Management Grant	4,100	6,100	6,100	-
Miscellaneous allotments	25,000	25,000	6,091	(18,909)
Police Grant	25,000	25,000	24,849	(151)
Tax relief veterans, elderly and disabled	79,450	79,450	70,930	(8,520)
PILOT - Goodspeed Opera House	25,000	25,000	26,189	1,189
School construction			37,866	37,866
Education:				
Adult Education	5,069	5,069	5,062	(7)
Transportation	69,138	69,138	58,799	(10,339)
Education Cost Sharing/Special Education Grant	<u>3,772,908</u>	<u>3,772,908</u>	<u>3,766,860</u>	<u>(6,048)</u>
Total intergovernmental revenues	<u>4,546,105</u>	<u>4,548,105</u>	<u>4,525,457</u>	<u>(22,648)</u>
Investment and interest income:				
Investment income	<u>35,000</u>	<u>35,550</u>	<u>21,722</u>	<u>(13,828)</u>
Local revenue:				
Animal Control	250	250	500	250
Assessor fees	500	500	242	(258)
Building Department	100,000	100,000	107,687	7,687
Cemeteries	2,100	2,100	1,298	(802)
Economic Development Commission	3,700	3,700		(3,700)
Fire permits	200	200	265	65
Historic District permits	300	300	450	150

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Local revenue (continued):				
Land Use Offices permit fees	\$ 20,000	\$ 20,000	\$ 23,741	\$ 3,741
Other	15,000	15,000	77,979	62,979
Police special duty	22,500	22,500	23,713	1,213
Rents	14,000	14,000	13,893	(107)
Telecommunications	25,000	25,000	27,633	2,633
Conveyance tax	70,000	70,000	85,758	15,758
Town Clerk fees	157,800	157,800	168,264	10,464
Town Clerk licenses	25,000	25,000	24,336	(664)
Preservation revenue	4,600	4,600	8,419	3,819
Sanitation/Transfer Station	75,000	75,000	57,949	(17,051)
Zoning Board of Appeals	2,000	2,000	640	(1,360)
Libraries:				
Library endowment and trust income		74,000	59,000	(15,000)
Library fees and fines		6,995	6,366	(629)
Total local revenue	<u>537,950</u>	<u>618,945</u>	<u>688,133</u>	<u>69,188</u>
Other:				
Ray School Corporation	203,859	203,859	203,859	-
Helon Cone Trust	15,000	15,000	20,950	5,950
Tuition receipts			76,635	76,635
Libraries		21,600	4,757	(16,843)
Total other	<u>218,859</u>	<u>240,459</u>	<u>306,201</u>	<u>65,742</u>
Total revenues	<u>27,376,780</u>	<u>27,481,925</u>	<u>27,570,674</u>	<u>88,749</u>
Other financing sources:				
Transfers from other funds:				
Albert E. Purple Fund	258,653	258,653	270,991	12,338
Palmer Fund	28,880	28,880	28,788	(92)
Middle School Conversion Fund			267	267
Reliance on fund balance	<u>310,000</u>	<u>310,000</u>		<u>(310,000)</u>
Total other financing sources	<u>597,533</u>	<u>597,533</u>	<u>300,046</u>	<u>(297,487)</u>
Total Revenues and Other Financing Sources	<u>\$ 27,974,313</u>	<u>\$ 28,079,458</u>	27,870,720	<u>\$ (208,738)</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			2,246,766	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes			371,193	
Grange Hall revenue included in General Fund for GAAP purposes, but separate for budgetary purposes			400	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 30,489,079</u>	

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		(Over) Under
General Government:				
Assessor	\$ 123,040	\$ 123,040	\$ 116,428	\$ 6,612
Building maintenance and operation	25,206	25,206	22,128	3,078
Central services	138,226	138,226	126,973	11,253
Elections and registrars	44,036	44,036	32,928	11,108
Board of Finance	178,692	178,692	94,126	84,566
Planning and Zoning/Land Use Office	166,274	166,274	150,624	15,650
Old Middle School	29,110	29,110	13,024	16,086
Probate Court	12,313	12,313	12,313	-
Selectmen	133,156	133,156	131,452	1,704
Tax Collector	84,322	84,322	83,184	1,138
Town Clerk	212,147	212,147	215,174	(3,027)
Treasurer	16,971	16,971	16,946	25
Fringe benefits	805,385	838,385	880,791	(42,406)
Insurance	200,538	212,038	199,456	12,582
Legal services	70,500	70,500	106,861	(36,361)
Board of Assessment Appeals	6,500	6,500	1,824	4,676
Conservation Commission	9,205	9,205	8,179	1,026
Economic Development Commission	52,521	52,521	36,590	15,931
Historic District Commission	1,961	1,961	2,154	(193)
Open Space Committee	12,815	12,815	9,897	2,918
Zoning Board of Appeals	6,020	6,020	1,899	4,121
Shared services	954,403	954,403	900,070	54,333
Agriculture Commission	1,750	1,750		1,750
Total general government	<u>3,285,091</u>	<u>3,329,591</u>	<u>3,163,021</u>	<u>166,570</u>
Public safety:				
Animal Control	40,333	40,333	46,191	(5,858)
Building Department	117,712	117,712	123,388	(5,676)
Emergency management	64,491	66,491	65,876	615
Fire Department	230,410	230,410	228,976	1,434
Fire Marshal	25,800	25,800	25,021	779
Police officers	310,687	310,687	293,470	17,217
Resident troopers	89,429	89,429	100,523	(11,094)
Total public safety	<u>878,862</u>	<u>880,862</u>	<u>883,445</u>	<u>(2,583)</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		(Over) Under
Public works:				
General highways	\$ 1,016,267	\$ 1,016,267	\$ 979,279	\$ 36,988
Snow removal	227,431	227,431	248,472	(21,041)
Town garage maintenance	59,905	59,905	63,043	(3,138)
Transfer Station	572,727	572,727	557,201	15,526
Total public works	<u>1,876,330</u>	<u>1,876,330</u>	<u>1,847,995</u>	<u>28,335</u>
Health and welfare:				
Cemeteries	8,000	8,000	4,992	3,008
Health District	79,091	79,091	79,516	(425)
Human Services	3,920	3,920	3,920	-
Senior Services	121,460	121,460	115,743	5,717
Youth and Family Services	168,866	168,866	168,866	-
Total health and welfare	<u>381,337</u>	<u>381,337</u>	<u>373,037</u>	<u>8,300</u>
Recreation and leisure:				
Lakes Association	11,500	11,500	11,441	59
Public Libraries	286,555	345,200	332,956	12,244
Recreation Commission	89,019	89,019	86,802	2,217
Greens maintenance	13,350	13,350	8,237	5,113
Total recreation and leisure	<u>400,424</u>	<u>459,069</u>	<u>439,436</u>	<u>19,633</u>
Board of Education	<u>18,755,033</u>	<u>18,755,033</u>	<u>18,741,723</u>	<u>13,310</u>
Debt service	<u>1,711,428</u>	<u>1,711,428</u>	<u>1,711,428</u>	<u>-</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance (Over) Under
	Original	Final		
Total expenditures	\$ 27,288,505	\$ 27,393,650	\$ 27,160,085	\$ 233,565
Other financing uses:				
Transfers to other funds:				
Special Revenue Funds	18,500	18,500	22,269	(3,769)
Reserve for Capital Projects	667,308	871,566	871,566	-
Total other financing uses	685,808	890,066	893,835	(3,769)
Total Budgetary Expenditures and Other Financing Uses	\$ 27,974,313	\$ 28,283,716	28,053,920	\$ 229,796
Budgetary expenditures are different than GAAP expenditures because:				
Encumbrances outstanding at June 30, 2014			(152,369)	
Liquidation of prior year encumbrances			220,086	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			2,246,766	
Payroll accrual adjustment - payroll budgeted on a cash basis			8,637	
State of Connecticut grants for Special Education Excess Costs are netted for budgetary purposes			371,193	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 30,748,233	

TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR

	2014
Total pension liability:	
Service cost	\$ 9,345
Interest	33,288
Differences between expected and actual experience	
Changes of assumptions	2,288
Benefit payments, including refunds of member contributions	(37,080)
Net change in total pension liability	7,841
Total pension liability - beginning	614,185
Total pension liability - ending	622,026
 Plan fiduciary net position:	
Contributions - employer	79,182
Net investment income	51,486
Benefit payments, including refunds of member contributions	(37,080)
Administrative expense	(12,687)
Net change in plan fiduciary net position	80,901
Plan fiduciary net position - beginning	375,998
Plan fiduciary net position - ending	456,899
 Net Pension Liability - Ending	\$ 165,127
 Plan fiduciary net position as a percentage of the total pension liability	73.45%
 Covered-employee payroll	\$ N/A
 Net pension liability as a percentage of covered-employee payroll	N/A

TOWN OF EAST HADDAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 48,417	\$ 28,708	\$ 29,915
Contributions in relation to the actuarially determined contribution	<u>35,646</u>	<u>39,705</u>	<u>79,182</u>
Contribution Deficiency (Excess)	<u>\$ 12,771</u>	<u>\$ (10,997)</u>	<u>\$ (49,267)</u>
Covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 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 20-year level dollar amortization method (open), using 5.5% discount
Asset valuation method Market value
Inflation 0.0%
Salary increases Not applicable
Investment rate of return 5.50%, net of pension plan investment expense, including inflation
Retirement age 100% at age 65

Mortality RP-2000 mortality table for combined healthy participants projected to 2011 for mortality improvements according to Scale AA

NOTE: The Pension Trust Fund was established in 2012.

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

2014

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

14.10%

APPENDIX B – FORM OF OPINION OF BOND COUNSEL AND TAX MATTERS

November 19, 2015

Town of East Haddam
7 Main Street
East Haddam, CT 06423

Re: Town of East Haddam, Connecticut
\$9,165,000 General Obligation Refunding Bonds, Issue of 2015, dated November 19, 2015

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of East Haddam, Connecticut (the “Town”) of its \$9,165,000 General Obligation Refunding Bonds, Issue of 2015, dated November 19, 2015 (the “Bonds”).

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Town and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Town authorized to issue the Bonds, in connection with the issuance and delivery of the Bonds, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement, the final Official Statement or any other offering material relating to the Bonds (except only the matters set forth as our opinion in the Preliminary Official Statement and the final Official Statement), and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of U.S. Bank National Association, the Bonds will be the valid and binding general obligations of the Town. The Bonds will be payable as to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to certain classified property such as certified forest land taxable at a limited rate pursuant to Section 12-97 of the Connecticut General Statutes and dwelling houses of qualified elderly persons of low income taxable at limited amounts pursuant to Section 12-129b of the Connecticut General Statutes. Subject to conformity with Section 12-129d of the Connecticut General Statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses.

2. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax for individuals or corporations. Such interest is, however, includable in the adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on such corporations.

The Bonds are qualified to be “qualified tax-exempt obligations” of the Town in accordance with Section 265(b)(3) of the Code.

The opinions set forth in the preceding paragraphs are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Under existing law, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Although we have rendered an opinion that interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation, federal income tax liability may otherwise be affected by the ownership or disposition of the Bonds. We express no opinion regarding any other federal or state tax consequence of ownership or disposition of, or receipt of interest income on, the Bonds not specifically described herein.

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds be and remains excluded from gross income for federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains certain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings of certain corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on such corporations.

Ownership of the Bonds may result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. The foregoing is not intended to be an exhaustive list of potential tax consequences. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of the Bonds.

State Taxes

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or to reflect any changes in law that may thereafter occur or become effective.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon.

Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding other state and local tax consequences of ownership and disposition of the Bonds.

Original Issue Discount

The initial public offering prices of certain maturities of the Bonds (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the cover page of the Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law, OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income of the owners of the Bonds for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. The offering prices relating to the yields set forth on the cover page of the Official Statement for the OIP Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OIP Bonds are sold. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the amortization of premium and the effect upon basis.

Proposed Legislation and Other Matters

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made recently and in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Bonds or the market price for, or marketability of, the Bonds. No assurance can be given with respect to the impact of future legislation on the Bonds. Prospective purchasers of the Bonds should consult their own tax and financial advisors regarding such matters.

General

The opinions of Bond Counsel are rendered as of their date, and Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may come to their attention or any changes in law that may occur after the date of their opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the State of Connecticut income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates. The opinions of Bond Counsel are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The information above does not purport to deal with all aspects of federal or state taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal and state tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

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APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

This Continuing Disclosure Agreement (“Agreement”) is executed and delivered as of the 19th day of November, 2015, by the Town of East Haddam, Connecticut (the “Town”), acting by its undersigned officers, duly authorized, in connection with the issuance of \$9,165,000 General Obligation Refunding Bonds, Issue of 2015, dated November 19, 2015 (the “Bonds”) for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions.

For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the Town, dated November 3, 2015, prepared in connection with the Bonds.

“Listed Events” means any of the events listed in Section 3 of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” means the MSRB, through the operation of the Electronic Municipal Market Access (EMMA) system as described in 1934 Act Release No. 59061 and maintained by the MSRB for purposes of the Rule, or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“Rule” means rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and otherwise in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2015) as follows:

(i) Audited financial statements of the Town’s general fund, special revenue fund, capital projects funds, internal service and trust or agency funds, and the general long-term obligations account group (the “Governmental Funds”) for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Town is required to prepare audited financial statements of its various funds and accounts. The modified accrual basis of accounting is followed for the Town’s general fund with major revenues recorded when measurable and available and expenditures recorded when incurred.

(ii) In addition to the information and statements described in (i) above:

(A) amounts of the net taxable grand list applicable to the fiscal year,

(B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer’s taxable valuation thereon,

(C) percentage of the annual property tax levy collected as of the close of the fiscal year,

- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total net debt as of the close of the fiscal year,
- (F) total bonded debt of the Town per capita,
- (G) ratios of the total bonded debt of the Town to the Town's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Town's pension benefit obligations.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Town's fiscal year currently ends on June 30. The Town agrees that if audited information is not available eight months after the close of any fiscal year, it shall submit unaudited information, if available, by such time and will submit audited information when available.

(c) Annual financial information or operating data may be provided in whole or in part by specific reference to other documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system, the current internet web address of which is www.emma.msrb.org, or filed with the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. The Town shall clearly identify each such other document so incorporated by cross-reference. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or the annual adopted budget.

(d) The Town reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated statutory accounting principles as in effect from time to time, provided that the Town agrees that the exercise of any such right will be done in a manner consistent with the Rule.

(e) The Town may file information with the Repository, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the Town chooses to make a Voluntary Filing, the Town shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the Town is under no obligation to provide any Voluntary Filing.

Section 3. Reporting of Listed Events.

The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of the occurrence of any of the following Listed Events with respect to the Bonds, in a timely manner not later than ten (10) business days after the occurrence of any such Listed Event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Town;

Note to clause (l): For the purposes of the event identified in clause (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of trustee, if material.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Town agrees to provide, or cause to be provided, in a timely manner, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Town or by any agents which may be employed by the Town for such purpose from time to time.

Section 6. Termination.

The obligations of the Town under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Town ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Town acknowledges that the undertakings set forth in Sections 2, 3 and 4 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure within a reasonable time (but not exceeding thirty (30) days with respect to undertakings set forth in Section 2 of this Agreement or five (5) business days with respect to undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Town Manager, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. For purposes of this section, notice to the Town should be made to the First Selectman, 7 Main Street, P. O. Box K, East Haddam, Connecticut 06423.

In the event the Town does not cure such failure within the time specified above, the beneficial owner of any of the Bonds shall be entitled only to the remedy of specific performance. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) The Town shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Town from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Town elects to provide any such additional information, data or notices, the Town shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provisions of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, (ii) this Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 66 2/3% of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with the Repository in electronic format. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating or financial information provided.

TOWN OF EAST HADDAM, CONNECTICUT

By: _____
MARK B. WALTER
First Selectman

By: _____
KATHLEEN A. KLINCK
Treasurer

By: _____
CYNTHIA VARRICCHIO
Finance Administrator