



August 16, 2016

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: TOWN OF HADDAM, CONNECTICUT
\$2,700,000 General Obligation Bond Anticipation Notes**

**Dated: September 1, 2016 Date of Sale: Wednesday, August 24, 2016
Due: May 25, 2017 Time of Sale: 11:30 A.M. (Eastern Time)**

As per the Notice of Sale, written proposals for the Notes must be in the form of proposal attached hereto and enclosed in sealed envelopes marked "Proposal for Haddam Notes", and addressed to Ms. Lizz Milardo, First Selectman, Haddam Town Office Building, 30 Field Park Drive, Haddam, Connecticut 06438. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Wednesday, August 24, 2016.**

The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Town of Haddam, Connecticut as of June 30, 2015. These excerpts are included in this package. Copies of the complete reports for June 30, 2015 are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

PHOENIX ADVISORS, LLC



BAN Sale Term Sheet

Town of Haddam, Connecticut \$2,700,000 General Obligation Bond Anticipation Notes

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| Date of Sale: | Wednesday, August 24, 2016 at 11:30 A.M. (Eastern Time). |
| Location of Sale: | First Selectman's Office, Town Office Building, 30 Field Park Drive, Haddam, Connecticut 06438. |
| Issuer: | Town of Haddam, Connecticut (the "Town"). |
| Issue: | \$2,700,000 General Obligation Bond Anticipation Notes (the "Notes"). |
| Dated Date: | September 1, 2016 |
| Principal and Interest Due: | At maturity on May 25, 2017 |
| Purpose: | The Notes are being issued to finance road improvements. |
| Denominations: | In minimum denominations of \$100,000 or multiples thereof, plus any odd amount. |
| Redemption: | The Notes are not subject to redemption prior to maturity. |
| Security: | The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due. |
| Credit Rating: | No application for a rating on this Note issue has been made to any credit rating agency. The Town has an outstanding bond rating of "Aa3" from Moody's Investors Service. |
| Basis of Award: | Lowest Net Interest Cost (NIC), as of dated date. |
| Form of Legal Opinion and Tax Exemption: | See "Appendix – Opinion of Bond Counsel and Tax Exemption" attached. |
| Bank Qualification: | The Notes 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 Notes. |
| Registrar, Transfer Agent, Certifying Agent and Paying Agent: | U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103. |
| Option for No Book-Entry: | A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. See "Option for No Book-Entry" in the Notice of Sale. |
| Financial Advisor: | Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 283-1110. |
| Legal Opinion: | Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut will act as Bond Counsel. |
| Delivery and Payment: | It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about September 1, 2016 except as otherwise noted. Delivery of the Notes will be made against payment in immediately available Federal Funds. |
| Issuer Official: | Questions concerning the Town should be directed to Barbara Bertrand, Finance Director, Town Office Building, 30 Field Park Drive, Haddam, Connecticut 06483 Telephone: (860) 345-8531 x209 or Barry Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut, Telephone: (203) 283-1110. |

NOTICE OF SALE

TOWN OF HADDAM, CONNECTICUT

\$2,700,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES (BANK QUALIFIED)

SEALED PROPOSALS will be received by the TOWN OF HADDAM, CONNECTICUT (the "Town"), and by TELEPHONE BID by an authorized agent of Phoenix Advisors, LLC, the Town's Financial Advisor, at (203) 283-1110 until 11:30 A.M. (Eastern Time) on WEDNESDAY,

AUGUST 24, 2016

for the purchase, when issued, at no less than par of \$2,700,000 General Obligation Bond Anticipation Notes of the Town, dated September 1, 2016 and due May 25, 2017 (the "Notes").

The Notes are due and payable as to both principal and interest at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

Nature of Obligation. The Notes will constitute general obligations of the Town and are payable, unless paid from other sources, from ad valorem taxes levied against all taxable property subject to taxation by the Town. All property taxation is without limit as to rate or amount, except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts.

Bank Qualification. The Notes 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 Notes.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent in same-day funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Town, the Paying Agent will pay principal of and interest on the Notes directly to DTC so long as DTC or its nominee, Cede & Co, is the noteholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Option For No Book-Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all of the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the winning bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the winning bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the winning bidder is so designated. The terms and covenants of the Notes issued in non-book-entry form shall be the same as if the Notes were issued in book-entry form, except as required to reflect that the Notes are non-book-entry and the designation of the purchaser as Certifying Agent, Registrar and Paying Agent.

Bid Terms and Basis of Award. Except as otherwise provided herein, bidders may submit proposals for all or a portion of the Notes. Any proposal for a portion of the Notes must be for a minimum of \$100,000 of principal amount per interest rate bid, or a whole multiple thereof. No proposal for less than the minimum denomination or for less than par and accrued interest will be accepted. Bidders are to name one rate of interest in a multiple of one hundredths (1/100ths) of one per cent for each part of the Notes for which a separate interest rate is bid. Unless all bids are rejected, the Notes will be awarded to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest cost to the Town, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest cost, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified. No bid for less than par and accrued interest, if any, will be considered. The Town reserves the right to award to any bidder all or any part of the Notes bid in its proposal. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The right is reserved to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement.

CUSIP Numbers. Unless the winning bidder requests the no book-entry option, the Notes will be delivered to DTC or its agent on or about September 1, 2016. The deposit of the Notes with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. It is anticipated that the purchaser will apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Proposals.

- I. Telephone Proposals Bidding Procedure.** Telephone bids for the purchase of the Notes will be received until 11:30 A.M. (Eastern Time) on behalf of the Town by telephone call to Phoenix Advisors, LLC, the Town's Financial Advisor, at (203) 283-1110. All telephone bids must be completed by 11:30 A.M. (Eastern Time) on Wednesday, August 24, 2016, and shall be submitted in the form of the Bid Form attached hereto. All telephone bids shall be deemed to incorporate the provisions of this Notice of Sale.
- II. Sealed Proposals Bidding Procedure.** Sealed bids for the purchase of the Notes shall be on the form of the Bid Form attached hereto and submitted no later than 11:30 A.M. (Eastern Time) on Wednesday, August 24, 2016. Sealed bids should be addressed and delivered to Lizz Milardo, First Selectman, Haddam Town Office Building, 30 Field Park Drive, Haddam, CT 06438 and enclosed in a sealed envelope marked "Proposal for Haddam Notes". All sealed bids shall be deemed to incorporate the provisions of this Notice of Sale.

For the purpose of the bidding process, the time maintained by the Town's Financial Advisor shall constitute the official time.

Certifying Agent, Registrar and Paying Agent. Unless the winning bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book-Entry" above, the Notes will be certified by U.S. Bank National Association, Hartford, Connecticut, and U.S. Bank National Association will also act as Registrar and Paying Agent.

Delivery and Payment. The Notes will be delivered against payment in immediately available federal funds through the facilities of The Depository Trust Company, New York, New York on September 1, 2016; unless the option for no book-entry is exercised, in which case payment shall be made in immediately available federal funds to the Town in accordance with the Town's instructions.

At or prior to the delivery of the Notes the purchaser shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes.

Bond Counsel Opinion. The legality of the issue will be passed upon by Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in the Appendix to this Notice of Sale. The opinion will appear on each Note certificate and will state that the Notes are valid and binding obligations of the Town. Absent special circumstances preventing compliance, Bond Counsel will require as a precondition to release of its opinion printed on the Notes that the purchaser of such Notes deliver to it a completed certificate regarding public reoffering price with respect to the Notes awarded to such bidder, as described below under "Reoffering Prices".

The legal opinion will also state that based on and assuming the accuracy of and continuing compliance with certain written representations and agreements received from authorized officials of the Town in connection with the issuance and delivery of the Notes, as to which Bond Counsel has made no independent verification, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes and is not included in 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. The opinion will provide that although interest on the Notes is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, interest on the Notes may be 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 Notes will be “qualified tax-exempt obligations” for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Reoffering Prices. Bond Counsel will require as a precondition to release of its opinion printed on the Notes that the purchaser of such Notes deliver to it, prior to the date of delivery of the Notes, a completed certificate regarding public reoffering price with respect to the Notes awarded to such purchaser, the form of such certificate to be furnished to the purchaser by Bond Counsel following the bond sale, to the effect that the purchaser has made a bona fide public offering of the Notes to the public (i) at initial offering prices not greater than, or yields not lower than, the respective prices or yields shown on the certificate, and (ii) a substantial amount of the Notes was sold to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than or yields not lower than, such offering prices or yields. The purchaser of the Notes may specify that the Notes as “not reoffered” if the purchaser certifies that it purchased the specified Notes for its own account (or the account of a related party) without any present intention of reoffering such Notes to any other investor. Prior to the delivery date of the Notes, the completed certificate shall be delivered to Sandra D. Dawson, Esq., Updike, Kelly & Spellacy, P.C., 100 Pearl Street, 17th floor, P.O. Box 231277, Hartford, CT 06123, E-mail: sdawson@uks.com, Telephone: (860) 548-2643.

No Continuing Disclosure or Official Statement. Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

More Information. For more information regarding this issue and the Town reference is made to the Town’s financial statements. Proposal forms and copies of the Town’s financial statements may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110). Questions concerning the Town should be directed to Barbara Bertrand, Finance Director, Town Office Building, 30 Field Park Drive, Haddam, Connecticut 06438 (telephone: (860) 345-8531 ext. 209).

TOWN OF HADDAM, CONNECTICUT

LIZZ MILARDO
First Selectman

ROBIN C. MUNSTER
Treasurer

August 16, 2016

(See attached form of the Bid Form Proposal for Haddam Notes)

BID FORM
PROPOSAL FOR NOTES

Lizz Milardo, First Selectman
Robin C. Munster, Treasurer
Town of Haddam, Town Office Building
30 Field Park Drive
Haddam, CT 06438

Haddam Town Officials:

Subject to the provisions of the Notice of Sale dated August 16, 2016, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$2,700,000 Town of Haddam General Obligation Bond Anticipation Notes and to pay therefor par and pay the premium specified below, if any, as follows:

For \$_____ of \$2,700,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of Haddam, Connecticut dated September 1, 2016 and maturing on May 25, 2017, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

For \$_____ of \$2,700,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of Haddam, Connecticut dated September 1, 2016 and maturing on May 25, 2017, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

For \$_____ of \$2,700,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of Haddam, Connecticut dated September 1, 2016 and maturing on May 25, 2017, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

This undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in immediately available federal funds on the date of the Notes.

Dated: August 24, 2016

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)

(E-mail Address)

☐ We request that the Notes not be issued in book-entry form, but be registered in the name of the bidder, as provided in the Notice of Sale.

☐ **Only if submitting request that Notes not be issued in book-entry form:** We request to be designated as the Certifying Agent, Registrar and Paying Agent for the Notes, as provided in the Notice of Sale.

APPENDIX – OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel is not passing upon and does not assume responsibility for the accuracy or completeness of the statements made in any information distributed in connection with the note issue (other than matters in this Appendix), and makes no representation to have independently verified the same.

FORM OF OPINION OF BOND COUNSEL

September 1, 2016

Town of Haddam
30 Field Park Drive
Haddam, CT 06438

RE: Town of Haddam, Connecticut
\$2,700,000 General Obligation Bond Anticipation Notes, dated September 1, 2016

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Haddam, Connecticut (the “Town”) of its \$2,700,000 General Obligation Bond Anticipation Notes, dated September 1, 2016 (the “Notes”).

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 Notes, in connection with the issuance and delivery of the Notes, 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 any offering material relating to the Notes 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 Notes will be the valid and binding general obligations of the Town. The Notes 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 Notes 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 Notes 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 Notes 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 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Under existing law, interest on the Notes 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 Notes and the enforceability of the Notes 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 Notes may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes 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 Notes. We express no opinion regarding any other federal or state tax consequence of ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

TAX EXEMPTION

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 Notes in order that interest on the Notes 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 Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes, 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 Notes, contains certain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 Notes. The foregoing is not intended to be an exhaustive list of potential tax consequences. Prospective purchasers of the Notes, 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 Notes.

State Taxes

In the opinion of Bond Counsel, based on existing statutes, interest on the Notes 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 Notes 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 Notes 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 Notes are advised to consult their own tax advisors regarding other state and local tax consequences of ownership and disposition of the Notes.

Original Issue Premium

The initial public offering prices of the Notes (the “OIP Notes”) may be more than their stated principal amounts. An owner who purchases a Note at a premium to its principal amount must amortize Note premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Note for federal income tax purposes. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. Prospective purchasers of OIP Notes 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 Notes, gain from the sale or other disposition of the Notes, the market value of the Notes, or the marketability of the Notes, or otherwise prevent the owners of the Notes 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 Notes for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Notes or the market price for, or marketability of, the Notes. No assurance can be given with respect to the impact of future legislation on the Notes. Prospective purchasers of the Notes 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 Notes may affect the tax status of interest on the Notes. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Notes. 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 Notes 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 Notes, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

TOWN OF HADDAM, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Statements of
The Town of Hamden, Connecticut
Year Ended June 30, 2015



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance of the
Town of Haddam, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Haddam, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of June 30, 2015 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the pension schedules on pages 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015 on our consideration of the Town of Haddam, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haddam, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 23, 2015

Management's Discussion and Analysis



Management's Discussion and Analysis For the Year Ended June 30, 2015

As management of the Town of Haddam, we offer readers of the Town's financial statements this overview and analysis of the financial activities of the Town of Haddam for the fiscal year ended June 30, 2015.

Financial Highlights

- During the fiscal year, the Town implemented GASB 68 related to pensions. GASB 68 required that the net pension liability be recorded on the government-wide financial statements. The result of implementing GASB 68 was a net prior period adjustment as of July 1, 2014 to record the net pension liability and adjust related amounts of \$517,010. The current year pension expense was \$19,615 and the net pension liability at June 30, 2015 was \$1,181,658.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$27,989,694 (*net position*). Of this amount, \$8,720,481 (*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 \$1,021,677. This was due substantially to positive operations of the General Fund and the impact of the implementation of GASB 68 on the Town's pension expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,263,722 an increase of \$937,359 in comparison with the prior year. This increase is substantially due to positive operating results of the General Fund of \$496,686, the Road Fund of \$117,149 and the Capital Nonrecurring Fund of \$151,589.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,265,947, an increase of \$98,040 in comparison with the prior year. This represents 14.3% percent of total General Fund expenditures and transfers out.
- Long-term liabilities decreased by a net of \$185,959 due to scheduled debt service payments.

Overview of the Basic Financial Statements

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

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

30 Field Park Drive, Haddam, CT 06438
Phone (860) 345-8531*Fax (860) 345-3730

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

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

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

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

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

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

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

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

Fiduciary funds. The Town is the trustee, or fiduciary, for its employees' and volunteer firefighters' pension plans. It is also responsible for other assets that the Town has custody of, but belong to others. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position (Exhibits VI and VII). We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's combined net position increased from \$26,968,017 to \$27,989,694.

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

SUMMARY STATEMENT OF NET POSITION JUNE 30, 2015

| | 2015 | 2014 |
|----------------------------------|----------------------|----------------------|
| Current and other assets | \$ 10,298,596 | \$ 9,443,460 |
| Capital assets, net | 21,824,259 | 21,987,082 |
| Total assets | <u>32,122,855</u> | <u>31,430,542</u> |
| Deferred outflows of resources | <u>509,989</u> | |
| Long-term liabilities | 4,121,941 | 3,877,643 |
| Other liabilities | 432,190 | 584,882 |
| Total liabilities | <u>4,554,131</u> | <u>4,462,525</u> |
| Deferred inflows of resources | <u>89,019</u> | |
| Net investment in capital assets | 19,196,389 | 19,169,725 |
| Restricted | 72,824 | 94,702 |
| Unrestricted | <u>8,720,481</u> | <u>7,703,590</u> |
| Total Net Position | <u>\$ 27,989,694</u> | <u>\$ 26,968,017</u> |

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

Governmental activities. Governmental activities increased the Town's net position by \$1,021,677 as presented in the Statement of Changes in Net Position below:

CHANGES IN NET POSITION

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 485,753 | \$ 484,257 |
| Operating grants and contributions | 1,907,610 | 1,842,432 |
| Capital grants and contributions | 826,991 | 323,388 |
| General revenues: | | |
| Property taxes | 27,769,110 | 26,373,612 |
| Grants and contributions not restricted to specific programs | 147,991 | 136,918 |
| Unrestricted investment earnings | 30,738 | 21,559 |
| Other general revenues | 161,748 | 71,379 |
| Total revenues | <u>31,329,941</u> | <u>29,253,545</u> |
| Expenses: | | |
| General government | 2,829,354 | 2,542,378 |
| Public safety | 1,167,256 | 1,289,106 |
| Public works | 2,989,389 | 2,673,437 |
| Health and welfare | 304,083 | 297,313 |
| Miscellaneous organizations/recreation | 573,294 | 572,906 |
| Education | 22,376,890 | 21,414,632 |
| Interest on long-term debt | 67,998 | 184,219 |
| Total expenses | <u>30,308,264</u> | <u>28,973,991</u> |
| Change in net position | 1,021,677 | 279,554 |
| Net Position at Beginning of Year, as Restated | <u>26,968,017</u> | <u>26,688,463</u> |
| Net Position at End of Year | <u>\$ 27,989,694</u> | <u>\$ 26,968,017</u> |

Key elements of this increase are as follows:

- Increase in property taxes to support the increased budget due to an increased education budget.
- Capital grants and contributions increased by \$503,603 due to the donation of the Dish Mill bridge by the State of Connecticut to the Town valued at \$500,000.
- General government expenses increased by 286,976 due to grants received from the State for the estuary and mix housing projects as well as an increase in depreciation expense.
- Education expenses increased by \$962,258 due to the increase in the percentage of the Regional School District No. 17's budget that is allocated to the Town. The allocation is based upon enrollment.
- Public works expenses increased by \$315,952 due to the increased cost during the year related to snow removal projects.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,263,722. The Town's components of fund balance are as follows: 1) Nonspendable for loans under the federal Small Cities program (\$103,542), 2) restricted for grants (\$72,824), committed for capital projects, the road reconstruction and special revenue activities (\$3,145,272), assigned for debt service (\$676,137) and unassigned of \$4,265,947.

The total fund balance increased by \$937,359, which is as a result of the positive operating results of the General Fund of \$496,686, the Capital Nonrecurring Fund of \$117,149 and the Road Fund of \$151,589.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,265,947. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 14.3% of total General Fund expenditures and transfers out.

The fund balance of the General Fund increased by \$496,686 for the current fiscal year. Key factors were as follows:

- On the revenue side, tax revenue collections exceeded estimates by \$215,061 and charges for services exceeded the budget by \$67,361 mainly due to license and permits and recording fees.

The increase in fund balance was also attributable to the Town expending less than budgeted by \$88,605. The major factors contributing to this were as follows:

- Unused contingency balance totaled \$17,917.
- The Fire Protection budget line item was under spent by \$22,090 due to the need to replace certain items being postpone to the following fiscal year.

Capital Nonrecurring Fund. This fund accounts for the Town's annual budget appropriation that is the funding for the Town's five-year capital plan. The five-year capital plan includes funding for purchases and items that are reserved for specific approved projects. Currently there are over 90 separate projects, with many projects funded over multiple years. The Capital Projects fund's revenues and transfers exceeded its expenditures by \$151,589 due to the amount of the current year funding being greater than the amount expended for active projects. This is due to the multi-year funding of large items like fire trucks and other heavy equipment. The purchases are made once the funding has been completed. The total fund balance at June 30, 2015 totaled \$1,389,107.

Transfer Station Fund. This fund was closed during the year by transferring out the remaining balance to the General Fund.

General Fund Budgetary Highlights

The most significant budgetary item was the transfer of \$320,110 of monies from the general government line items, including the contingency line and insurance lines to cover the increased cost for snow removal due to the significant number off snow storms last winter.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets totaled \$21,824,259 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, vehicles, machinery and equipment, sewer lines, roads, bridges, sidewalks and system storm drains. The net decrease in the Town's investment in capital assets for the current fiscal year was \$162,823. This increase is largely due to the increase in machinery and equipment purchased during, infrastructure additions and construction in progress for road projects. The Town's capitalization policy is that only those assets that cost \$5,000 or more with a useful life exceeding one year are capitalized. Assets costing less than \$5,000 are expensed.

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

- Construction in progress activity was for continued road reconstruction projects.
- Vehicle additions totaled \$126,417 were for the replacement of 5 Public Works vehicles.
- Infrastructure additions of \$500,000 for the donation of from the State of the Dish Mill bridge.
- Depreciation expense totaled \$963,647.

CAPITAL ASSETS - NET

| | 2015 | 2014 |
|----------------------------|----------------------|----------------------|
| Land | \$ 934,383 | \$ 1,090,383 |
| Construction in progress | 765,375 | 334,983 |
| Land improvements | 3,912,124 | 4,047,818 |
| Buildings and improvements | 3,630,302 | 3,958,780 |
| Machinery and equipment | 709,962 | 793,613 |
| Infrastructure | 10,468,611 | 10,256,956 |
| Motor vehicles | <u>1,403,502</u> | <u>1,504,549</u> |
| Total | <u>\$ 21,824,259</u> | <u>\$ 21,987,082</u> |

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

Long-term liabilities. At the end of the current fiscal year, the Town had total debt outstanding of \$2,567,897. All debt is backed by the full faith and credit of the Town.

LONG-TERM DEBT

| | 2015 | 2014 |
|----------------|---------------------|---------------------|
| Bonds payable | \$ 2,520,000 | \$ 2,660,000 |
| Capital leases | <u>47,897</u> | <u>93,856</u> |
| Total | <u>\$ 2,567,897</u> | <u>\$ 2,753,856</u> |

The Town's debt decrease during the year by \$185,959 due to scheduled debt service payments.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$194,148,983, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 6.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 3.2%, which is a decrease from a rate of 5.0% a year ago. The Town's rate is favorable as compared to the State rate of 5.5% and comparable to the Hartford Labor Market rate of 5.4%.
- The Town is under continues to be under fiscal pressure to control tax increases. While the general government portion of the budget has remained flat, Haddam's portion of the regional education budget has increase due to the continued shift in enrollment. The Town also has identified improvements that need to be made to it infrastructure (road and bridges) and the possible future development of water and sewer systems.

All of these factors were considered in preparing the Town's budget for the 2016 fiscal year.

Requests for Information

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

Basic Financial Statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

| | |
|---|----------------------|
| Assets: | |
| Cash and cash equivalents | \$ 8,436,496 |
| Investments | 24,872 |
| Receivables: | |
| Property taxes, net of allowance for uncollectibles of \$200,000 | 915,297 |
| Interest on property taxes, net of allowance for uncollectibles of \$300,000 | 713,061 |
| Grants and contracts | 73,867 |
| Other | 135,003 |
| Capital assets: | |
| Nondepreciable | 1,699,758 |
| Depreciable, net | 20,124,501 |
| Total assets | <u>32,122,855</u> |
| Deferred Outflows of Resources: | |
| Differences in expected and actual pension experience | 65,716 |
| Changes in projected pension investment earnings | 253,044 |
| Changes in pension actuarial assumptions | 191,229 |
| Total deferred outflows of resources | <u>509,989</u> |
| Liabilities: | |
| Accounts payable | 350,157 |
| Unearned revenue | 19,428 |
| Due to other governments | 62,605 |
| Noncurrent liabilities: | |
| Due within one year | 210,288 |
| Due in more than one year | 3,911,653 |
| Total liabilities | <u>4,554,131</u> |
| Deferred Inflows of Resources: | |
| Differences in expected and actual pension experience | <u>89,019</u> |
| Net Position: | |
| Net investment in capital assets | 19,196,389 |
| Restricted: | |
| General government | 41,627 |
| Health and welfare | 31,197 |
| Unrestricted | <u>8,720,481</u> |
| Total Net Position | <u>\$ 27,989,694</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| General government | \$ 2,829,354 | \$ 422,491 | \$ 72,915 | \$ | \$ (2,333,948) |
| Public safety | 1,167,256 | 48,036 | 8,460 | | (1,110,760) |
| Public works | 2,989,389 | 15,226 | 3,191 | 826,991 | (2,143,981) |
| Health and welfare | 304,083 | | | | (304,083) |
| Culture and recreation | 573,294 | | | | (573,294) |
| Education | 22,376,890 | | 1,823,044 | | (20,553,846) |
| Interest expense | 67,998 | | | | (67,998) |
| Total | \$ <u>30,308,264</u> | \$ <u>485,753</u> | \$ <u>1,907,610</u> | \$ <u>826,991</u> | <u>(27,087,910)</u> |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | | | 27,769,110 |
| Grants and contributions not restricted to specific programs | | | | | 147,991 |
| Unrestricted investment earnings | | | | | 30,738 |
| Miscellaneous | | | | | 161,748 |
| Total general revenues | | | | | <u>28,109,587</u> |
| Change in Net Position | | | | | 1,021,677 |
| Net Position at Beginning of Year, as Restated | | | | | <u>26,968,017</u> |
| Net Position at End of Year | | | | | \$ <u>27,989,694</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | <u>General Fund</u> | <u>Capital Nonrecurring Fund</u> | <u>Transfer Station</u> | <u>Road Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--|-----------------------------|----------------------|--|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 8,108,834 | \$ | \$ 98,822 | \$ | \$ 253,712 | \$ 8,461,368 |
| Receivables: | | | | | | |
| Property taxes, net of allowance for uncollectibles of \$200,000 | 915,297 | | | | | 915,297 |
| Intergovernmental receivable | 73,867 | | | | | 73,867 |
| Other | 12,033 | | | | 122,970 | 135,003 |
| Due from other funds | | 1,389,107 | | 1,435,198 | 816,216 | 3,640,521 |
| Total Assets | <u>\$ 9,110,031</u> | <u>\$ 1,389,107</u> | <u>\$ 98,822</u> | <u>\$ 1,435,198</u> | <u>\$ 1,192,898</u> | <u>\$ 13,226,056</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 324,454 | \$ | \$ | \$ | \$ | \$ 324,454 |
| Accrued salaries and benefits payable | 29 | | | | | 29 |
| Due to other governments | 62,605 | | | | | 62,605 |
| Unearned revenue | | | | | 19,428 | 19,428 |
| Due to other funds | 3,541,699 | | 98,822 | | | 3,640,521 |
| Total liabilities | <u>3,928,787</u> | <u>-</u> | <u>98,822</u> | <u>-</u> | <u>19,428</u> | <u>4,047,037</u> |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue - property taxes | 915,297 | | | | | 915,297 |
| Fund balances: | | | | | | |
| Nonspendable | | | | | 103,542 | 103,542 |
| Restricted | | | | | 72,824 | 72,824 |
| Committed | | 1,389,107 | | 1,435,198 | 320,967 | 3,145,272 |
| Assigned | | | | | 676,137 | 676,137 |
| Unassigned | 4,265,947 | | | | | 4,265,947 |
| Total fund balances | <u>4,265,947</u> | <u>1,389,107</u> | <u>-</u> | <u>1,435,198</u> | <u>1,173,470</u> | <u>8,263,722</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 9,110,031</u> | <u>\$ 1,389,107</u> | <u>\$ 98,822</u> | <u>\$ 1,435,198</u> | <u>\$ 1,192,898</u> | <u>\$ 13,226,056</u> |

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

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

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

| | |
|--|--------------|
| Total fund balances for governmental funds (Exhibit III) | \$ 8,263,722 |
|--|--------------|

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

| | | |
|--|---------------------|------------|
| Capital assets | \$ 65,460,762 | |
| Less accumulated depreciation and amortization | <u>(43,636,503)</u> | |
| Total capital assets, net | | 21,824,259 |

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

| | |
|--|---------|
| Property tax receivables | 915,297 |
| Deferred outflows related to changes in projected pension investment earnings | 253,044 |
| Deferred outflows related to changes in pension actuarial assumptions | 191,229 |
| Deferred outflows related to differences in expected and actual pension experience | 65,716 |

| | |
|--|---------|
| Accrued interest on property taxes, net, is not susceptible to accrual and, therefore, is not reported in the governmental funds. | 713,061 |
|--|---------|

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

| | |
|---|------------------|
| Bonds payable | (2,520,000) |
| Unamortized bond premium | (59,973) |
| Capital leases | (47,897) |
| Compensated absences | (52,423) |
| Net pension liability | (1,181,658) |
| Deferred inflows related to differences in expected and actual pension experience | (89,019) |
| Interest payable on bonds | (25,674) |
| Landfill closure and post closure costs | <u>(259,990)</u> |

| | |
|--------------------------|-----------------------------|
| Net Position (Exhibit I) | <u><u>\$ 27,989,694</u></u> |
|--------------------------|-----------------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | General Fund | Capital Nonrecurring Fund | Transfer Station | Road Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------------|--|-----------------------------|----------------------|--|---|
| Revenues: | | | | | | |
| Property taxes, interest and lien fees | \$ 27,718,031 | \$ | \$ | \$ | \$ | \$ 27,718,031 |
| Intergovernmental | 2,062,061 | | | 247,616 | 50,410 | 2,360,087 |
| Charges for services | 468,861 | | | | 10,668 | 479,529 |
| Income from investments | 30,350 | | 11 | | 377 | 30,738 |
| Miscellaneous | | | | | 14,076 | 14,076 |
| Total revenues | <u>30,279,303</u> | <u>-</u> | <u>11</u> | <u>247,616</u> | <u>75,531</u> | <u>30,602,461</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 2,193,121 | | | | 82,586 | 2,275,707 |
| Public safety | 880,332 | | | | | 880,332 |
| Public works | 2,265,941 | | | | 1,905 | 2,267,846 |
| Health and welfare | 304,083 | | | | | 304,083 |
| Culture and recreation | 535,287 | | | | | 535,287 |
| Education | 22,376,890 | | | | | 22,376,890 |
| Debt service: | | | | | | |
| Principal and interest payments | 257,785 | | | | | 257,785 |
| Capital outlay | | 290,600 | | 630,467 | | 921,067 |
| Total expenditures | <u>28,813,439</u> | <u>290,600</u> | <u>-</u> | <u>630,467</u> | <u>84,491</u> | <u>29,818,997</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1,465,864</u> | <u>(290,600)</u> | <u>11</u> | <u>(382,851)</u> | <u>(8,960)</u> | <u>783,464</u> |
| Other Financing Sources (Uses): | | | | | | |
| Proceeds from sale of property | | | | | 153,895 | 153,895 |
| Transfers in | | 442,189 | | 500,000 | 27,000 | 969,189 |
| Transfers out | (969,178) | | (11) | | | (969,189) |
| Total other financing sources (uses) | <u>(969,178)</u> | <u>442,189</u> | <u>(11)</u> | <u>500,000</u> | <u>180,895</u> | <u>153,895</u> |
| Net Change in Fund Balances | 496,686 | 151,589 | - | 117,149 | 171,935 | 937,359 |
| Fund Balances at Beginning of Year | <u>3,769,261</u> | <u>1,237,518</u> | <u>-</u> | <u>1,318,049</u> | <u>1,001,535</u> | <u>7,326,363</u> |
| Fund Balances at End of Year | <u>\$ 4,265,947</u> | <u>\$ 1,389,107</u> | <u>\$ -</u> | <u>\$ 1,435,198</u> | <u>\$ 1,173,470</u> | <u>\$ 8,263,722</u> |

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

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

| | |
|---|------------|
| Net change in fund balances for governmental funds (Exhibit IV) | \$ 937,359 |
|---|------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which depreciation exceeded capital outlays in the current period is as follows:

| | | |
|----------------------|------------------|---------|
| Capital outlay | \$ 1,207,628 | |
| Depreciation expense | <u>(963,647)</u> | |
| Net adjustment | | 243,981 |

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of capital assets. This amount represents the disposal of capital assets.

(406,804)

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

| | |
|---|-----------|
| Change in compensated absences | (5,900) |
| Change in landfill closure and post-closure costs | 9,285 |
| Change in net pension liability | (440,585) |
| Change in deferred inflows related to differences in expected and actual pension experience | (89,019) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|--|---------|
| Change in interest receivable | 105,473 |
| Change in deferred outflows related to changes in projected investment earnings | 253,044 |
| Change in deferred outflows related to changes in actuarial assumptions | 191,229 |
| Change in deferred outflows related to differences in expected and actual pension experience | 65,716 |

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

| | |
|----------------------------|----------|
| Change in unearned revenue | (31,889) |
|----------------------------|----------|

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

| | |
|--|---------------|
| Amortization of bond premiums | 3,528 |
| Accrued interest | 300 |
| Principal repayments on bonds | 140,000 |
| Principal repayments on capital leases | <u>45,959</u> |

| | |
|---|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ 1,021,677</u> |
|---|---------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes, interest and lien fees | \$ 27,368,033 | \$ 27,368,033 | \$ 27,718,031 | \$ 349,998 |
| Intergovernmental | 2,081,689 | 2,081,689 | 2,062,061 | (19,628) |
| Charges for services | 401,500 | 401,500 | 468,861 | 67,361 |
| Interest income | 20,000 | 20,000 | 30,350 | 10,350 |
| Total revenues | <u>29,871,222</u> | <u>29,871,222</u> | <u>30,279,303</u> | <u>408,081</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,524,742 | 2,245,306 | 2,193,121 | 52,185 |
| Public safety | 954,094 | 909,186 | 880,332 | 28,854 |
| Public works | 1,942,848 | 2,262,958 | 2,265,941 | (2,983) |
| Health and welfare | 306,141 | 308,255 | 304,083 | 4,172 |
| Culture and recreation | 539,544 | 541,664 | 535,287 | 6,377 |
| Education | 22,376,890 | 22,376,890 | 22,376,890 | - |
| Debt service | 257,785 | 257,785 | 257,785 | - |
| Total expenditures | <u>28,902,044</u> | <u>28,902,044</u> | <u>28,813,439</u> | <u>88,605</u> |
| Excess of revenues over expenditures | 969,178 | 969,178 | 1,465,864 | 496,686 |
| Other financing uses: | | | | |
| Transfers out | <u>(969,178)</u> | <u>(969,178)</u> | <u>(969,178)</u> | <u>-</u> |
| Net Change in Fund Balance | \$ <u>-</u> | \$ <u>-</u> | 496,686 | \$ <u>496,686</u> |
| Fund Balance at Beginning of Year | | | <u>3,769,261</u> | |
| Fund Balance at End of Year | | | \$ <u>4,265,947</u> | |

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015

| | Pension Trust Funds | Agency Funds |
|------------------------------------|------------------------------------|-------------------------|
| | <hr/> | <hr/> |
| Assets: | | |
| Cash and cash equivalents | \$ | \$ 255,190 |
| Investments: | | |
| Mutual funds | <hr/> 5,734,881 | <hr/> |
| Total assets | <hr/> 5,734,881 | <hr/> \$ 255,190 |
| Liabilities: | | |
| Due to others | <hr/> | <hr/> \$ 255,190 |
| Total liabilities | <hr/> - | <hr/> \$ 255,190 |
| Net Position: | | |
| Held in Trust for Pension Benefits | <hr/> \$ 5,734,881 | |

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Pension Trust Funds</u> |
|--|---------------------------------------|
| Additions: | |
| Employer contributions | \$ 323,000 |
| Investment gains: | |
| Interest, dividends and changes in fair value of investments | <u>77,708</u> |
| Total additions | 400,708 |
| Deductions: | |
| Benefit payments | <u>266,206</u> |
| Change in Net Position | 134,502 |
| Net Position at Beginning of Year | <u>5,600,379</u> |
| Net Position at End of Year | \$ <u><u>5,734,881</u></u> |

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Only property taxes collected during the year are recorded as revenues. The Town considers reimbursement grant revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to landfill closure and postclosure and claims and judgments, are recorded only when payment is due.

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

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

The Town reports the following major governmental funds:

General Fund

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

Capital Nonrecurring Fund

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

Transfer Station

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

Road Fund

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

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

Pension Trust Funds

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

Agency Funds

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments.

Investments are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

F. Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for building improvements and \$20,000 for infrastructure, and an estimated useful life of at least five years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

G. Deferred Outflows/Inflows of Resources

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

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

H. Long-Term Obligations

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

I. Net Pension Liability

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

J. Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

Net position is restricted because a restriction is externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance

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

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by the Board of Finance.

Unassigned Fund Balance

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

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

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

K. Property Taxes

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

Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest and lien fees of \$200,000 and \$300,000, respectively, as of June 30, 2015.

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

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

L. Accounting Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

B. Capital Project Authorizations

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

| | <u>Authorization</u> | <u>Cumulative Expenditures</u> | <u>Balance June 30, 2015</u> |
|----|----------------------|--------------------------------|------------------------------|
| \$ | 3,205,000 | \$ 3,188,269 | \$ 16,731 |

C. Expenditures Exceeding Appropriations

Expenditures exceeded appropriations in the Public Works department by \$2,983.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$7,984,016 of the Town's bank balance of \$9,084,710 was exposed to custodial credit risk as follows:

| | |
|---|----------------------------|
| Uninsured and uncollateralized | \$ 7,110,614 |
| Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name | <u>873,402</u> |
| | <u><u>\$ 7,984,016</u></u> |

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

B. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2015, the Town had \$24,872 in certificates of deposit maturing within the 90 days.

C. Investments

As of June 30, 2015, the Town's investments consisted of the following:

| Investment type | Credit Rating | Fair Value | Investment Maturities (In Years) | | |
|-------------------------------|---------------|----------------------------|----------------------------------|-------------|----------|
| | | | N/A | Less Than 1 | 1 to 5 |
| Interest-bearing investments: | | | | | |
| Certificates of Deposit | N/A | \$ 24,872 | \$ _____ | \$ 24,872 | \$ _____ |
| Other investments: | | | | | |
| Mutual Funds - Equity | N/A | 3,289,871 | | | |
| Mutual Funds - Real Estate | N/A | 206,709 | | | |
| Mutual Funds - Bonds | ** | <u>2,238,301</u> | | | |
| Total Investments | | <u><u>\$ 5,759,753</u></u> | | | |

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

** Bond mutual funds credit rating:

| | |
|---------|---------------------|
| AAA | \$ 917,022 |
| AA | 102,365 |
| A | 261,401 |
| BBB | 587,194 |
| BB | 172,618 |
| B | 147,042 |
| Below B | <u>50,659</u> |
| | <u>\$ 2,238,301</u> |

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk at June 30, 2015. The Town does not have a policy for custodial credit risk.

Concentrations of Credit Risk

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

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 consisted of the following:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,090,383 | \$ | \$ 156,000 | \$ | \$ 934,383 |
| Construction in progress | 334,983 | 505,361 | | (74,969) | 765,375 |
| Total capital assets not being depreciated | <u>1,425,366</u> | <u>505,361</u> | <u>156,000</u> | <u>(74,969)</u> | <u>1,699,758</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 4,329,961 | | 50,000 | | 4,279,961 |
| Buildings and improvements | 6,290,784 | 30,000 | 353,150 | 16,805 | 5,984,439 |
| Machinery and equipment | 2,401,325 | 45,850 | 63,050 | 17,851 | 2,401,976 |
| Infrastructure | 46,695,169 | 500,000 | | 58,164 | 47,253,333 |
| Motor vehicles | 3,888,201 | 126,417 | 155,472 | (17,851) | 3,841,295 |
| Total capital assets being depreciated | <u>63,605,440</u> | <u>702,267</u> | <u>621,672</u> | <u>74,969</u> | <u>63,761,004</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | 282,143 | 101,194 | 15,500 | | 367,837 |
| Buildings and improvements | 2,332,004 | 158,979 | 136,846 | | 2,354,137 |
| Machinery and equipment | 1,607,712 | 145,567 | 63,050 | 1,785 | 1,692,014 |
| Infrastructure | 36,438,213 | 346,509 | | | 36,784,722 |
| Motor vehicles | 2,383,652 | 211,398 | 155,472 | (1,785) | 2,437,793 |
| Total accumulated depreciation | <u>43,043,724</u> | <u>963,647</u> | <u>370,868</u> | | <u>43,636,503</u> |
| Total capital assets being depreciated, net | <u>20,561,716</u> | <u>(261,380)</u> | <u>250,804</u> | <u>74,969</u> | <u>20,124,501</u> |
| Capital Assets, Net | <u>\$ 21,987,082</u> | <u>\$ 243,981</u> | <u>\$ 406,804</u> | <u>\$ -</u> | <u>\$ 21,824,259</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 103,491 |
| Public safety | 250,243 |
| Public works | 571,905 |
| Culture and recreation | <u>38,008</u> |
| Total Depreciation Expense | <u>\$ 963,647</u> |

Construction Commitments

The Town has no active construction projects as of June 30, 2015.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2015 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------|-----------------------|---------------------|
| Governmental Funds: | | |
| Roads Fund | General Fund | \$ 1,435,198 |
| Capital Nonrecurring Fund | General Fund | 1,290,285 |
| Capital Nonrecurring Fund | Transfer Station Fund | 98,822 |
| Nonmajor Funds | General Fund | <u>816,216</u> |
| Total | | \$ <u>3,640,521</u> |

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

Interfund transfers for the year ended June 30, 2015 consisted of the following:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------------|----------------------|-------------------|
| Governmental funds: | | |
| Capital Nonrecurring Fund | General Fund | \$ 442,189 |
| Roads Fund | General Fund | 500,000 |
| Nonmajor funds | General Fund | <u>27,000</u> |
| Total | | \$ <u>969,189</u> |

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Bond payable: | | | | | |
| Bonds payable | \$ 2,660,000 | \$ | \$ 140,000 | \$ 2,520,000 | \$ 140,000 |
| Bond premium | 63,501 | | 3,528 | 59,973 | |
| Total bonds payable | 2,723,501 | | 143,528 | 2,579,973 | 140,000 |
| Capital leases | 93,856 | | 45,959 | 47,897 | 47,897 |
| Net pension liability | 741,073 | 841,293 | 400,708 | 1,181,658 | |
| Landfill post-closure costs | 269,275 | | 9,285 | 259,990 | 9,285 |
| Compensated absences | 46,523 | 52,423 | 46,523 | 52,423 | 13,106 |
| Long-Term liabilities | <u>\$ 3,874,228</u> | <u>\$ 893,716</u> | <u>\$ 646,003</u> | <u>\$ 4,121,941</u> | <u>\$ 210,288</u> |

The above liabilities will be liquidated by General Fund appropriations.

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

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

| | <u>Date of Issue</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Principal Outstanding June 30, 2015</u> |
|----------------|--------------------------|---------------------------|--------------------------|--------------------------|--|
| Bonds Payable: | | | | | |
| General Bonds | 8/30/2012 | \$ 2,800,000 | 2.0-3.0% | 8/15/2032 | \$ 2,520,000 |

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 140,000 | \$ 64,365 | \$ 204,365 |
| 2017 | 140,000 | 60,165 | 200,165 |
| 2018 | 140,000 | 55,965 | 195,965 |
| 2019 | 140,000 | 51,765 | 191,765 |
| 2020 | 140,000 | 47,565 | 187,565 |
| 2021-2025 | 700,000 | 177,625 | 877,625 |
| 2026-2030 | 700,000 | 97,318 | 797,318 |
| 2031-2033 | 420,000 | 16,975 | 436,975 |
| | <u>\$ 2,520,000</u> | <u>\$ 571,743</u> | <u>\$ 3,091,743</u> |

B. Debt Limitations

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$194,148,983 as of June 30, 2015. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2015.

| Category | Debt Limit | Net Indebtedness | Balance |
|-----------------|-------------------|-----------------------------|----------------|
| General purpose | \$ 62,405,030 | \$ 2,520,000 | \$ 59,885,030 |
| Schools | 124,810,061 | 6,648,480 | 118,161,581 |
| Sewers | 104,008,384 | | 104,008,384 |
| Urban renewal | 90,140,599 | | 90,140,599 |
| Pension deficit | 83,206,707 | | 83,206,707 |

C. Regional School District Commitments

The Town is a member of Regional School District No. 17, which provides education facilities for grades kindergarten through twelve for the towns of Haddam and Killingworth. As of June 30, 2015, the outstanding bonded indebtedness of the District was \$11,400,000. The Town of Haddam's share will be 58.32% of the outstanding indebtedness, or \$6,648,480. These are general obligations of Regional School District No. 17 and its member towns. However, the Town is not required to record its share in its financial statements.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

D. Capital Leases

A summary of assets acquired through capital leases are as follows as of June 30, 2015:

| | Governmental Activities |
|-------------------------------|------------------------------------|
| Motor vehicles | \$ 435,530 |
| Less accumulated amortization | <u>(304,872)</u> |
| | <u>\$ 130,658</u> |

Depreciation expense relative to leased property under capital leases totaled \$29,036 for the year ended June 30, 2015 and is included in depreciation and amortization expense disclosed in Note 5.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 are as follows:

| <u>Year Ending June 30,</u> | Governmental Activities |
|---|------------------------------------|
| 2016 | \$ 49,920 |
| Less amount representing interest | <u>2,023</u> |
| Present Value of Minimum Lease Payments | <u>\$ 47,897</u> |

E. Landfill Post-Closure Care Costs

State and federal laws and regulations require landfill closures to meet certain standards. The Town has completed the final capping of the landfill as of June 30, 2013. Estimated monitoring costs for the next 28 years at \$9,285 per year are \$259,990. These amounts are based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

F. Other

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2015 are as follows:

| | General Fund | Capital Nonrecurring Fund | Road Fund | Nonmajor Governmental Funds | Total |
|---------------------|-------------------------|--|----------------------|--|---------------------|
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Loans receivable | \$ _____ | \$ _____ | \$ _____ | \$ 103,542 | \$ 103,542 |
| Restricted: | | | | | |
| Grants | _____ | _____ | _____ | 72,824 | 72,824 |
| Committed: | | | | | |
| General government | | | | 138,427 | 138,427 |
| Public works | | | | 17,589 | 17,589 |
| Capital projects | | 1,389,107 | 1,435,198 | 140,079 | 2,964,384 |
| Open space | _____ | _____ | _____ | 24,872 | 24,872 |
| Total committed | _____ | 1,389,107 | _____ | 320,967 | 3,145,272 |
| Assigned: | | | | | |
| Debt service | _____ | _____ | _____ | 676,137 | 676,137 |
| Unassigned | 4,265,947 | _____ | _____ | _____ | 4,265,947 |
| Total Fund Balances | \$ <u>4,265,947</u> | \$ <u>1,389,107</u> | \$ <u>1,435,198</u> | \$ <u>1,173,470</u> | \$ <u>8,263,722</u> |

8. PENSION PLANS

A. Plan Administration

Plan Descriptions

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

Benefit Provisions

Town Employees' Pension Plan

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Volunteer Firefighters' Pension Plan

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

Plan Membership

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

| | Town Plan | Firefighters' Plan |
|---|----------------------|-------------------------------|
| Retirees and beneficiaries currently receiving benefits | 14 | 26 |
| Vested terminated plan members | 8 | 36 |
| Active plan members | 26 | 69 |
| | <u>48</u> | <u>131</u> |

Contributions

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen. The Town is required to annually contribute an actuarially determined amount to fund benefits. In addition to actuarially determined contributions, the Town also makes annual installment payments, including interest at 7%, for the cost of service credit granted retroactively to employees before funding began.

For the year ended June 30, 2015, employer contributions to the Town Employees' Pension Plan represented 24.3% of covered payroll and an actuarial determined amount of \$83,000 for the firefighters' plan.

Investments

Investment Policy

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

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) for both plans are summarized in the following table:

The following was the Trustees' adopted asset allocation policy and long-term expected real rate of return for both plans as of June 30, 2015:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Weighting |
|------------------------------|--------------------------|---|------------------|
| Domestic equity | 38% | 4.55% | 7.55% |
| International equity | 18% | 4.75% | 7.75% |
| Fixed income | 40% | 1.75% | 4.75% |
| Real estate and alternatives | 4% | 3.15% | 6.15% |
| General account | 0% | 1.91% | 4.91% |
| Total | 100% | | |

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Town Employees' Pension Plan and the Volunteer Firefighters' Pension Plan was 1.38% and 1.37%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Contributions

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

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 for the Volunteer Firefighters' Merit Service Retirement Plan and January 1, 2014 for the Employees' Pension Plan.

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The components of the net pension liability of the Town at June 30, 2015 were as follows:

| | Town Plan | Firefighters' Plan |
|---|----------------------|-------------------------------|
| Total pension liability | \$ 4,982,498 | \$ 1,934,041 |
| Plan fiduciary net position | <u>4,229,618</u> | <u>1,505,263</u> |
| Net Pension Liability | <u>\$ 752,880</u> | <u>\$ 428,778</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>84.89%</u> | <u>77.83%</u> |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Discount Rate

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

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Changes in the Net Pension Liability

| Town of Haddam Employees' Pension Plan | | | |
|--|--------------------------------|------------------------------------|------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balances as of June 30, 2014 | \$ 4,586,279 | \$ 4,096,337 | \$ 489,942 |
| Changes for the year: | | | |
| Service cost | 168,836 | | 168,836 |
| Interest on total pension liability | 315,305 | | 315,305 |
| Differences between expected and actual experience | (118,691) | | (118,691) |
| Changes in assumptions | 194,605 | | 194,605 |
| Employer contributions | | 240,000 | (240,000) |
| Net investment income | | 57,117 | (57,117) |
| Benefit payments, including refund to employee contributions | (163,836) | (163,836) | - |
| Net changes | 396,219 | 133,281 | 262,938 |
| Balances as of June 30, 2015 | \$ 4,982,498 | \$ 4,229,618 | \$ 752,880 |

| Town of Haddam Volunteer Firefighters' Merit Service Retirement Plan | | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balances as of June 30, 2014 | \$ 1,755,173 | \$ 1,504,042 | \$ 251,131 |
| Changes for the year: | | | |
| Service cost | 35,108 | | 35,108 |
| Interest on total pension liability | 119,279 | | 119,279 |
| Differences between expected and actual experience | 75,106 | | 75,106 |
| Changes in assumptions | 51,745 | | 51,745 |
| Employer contributions | | 83,000 | (83,000) |
| Net investment income | | 20,591 | (20,591) |
| Benefit payments, including refund to employee contributions | (102,370) | (102,370) | - |
| Net changes | 178,868 | 1,221 | 177,647 |
| Balances as of June 30, 2015 | \$ 1,934,041 | \$ 1,505,263 | \$ 428,778 |

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|----------------------|--------------------------------|--|--------------------------------|
| Town Employees' Plan | \$ 1,248,752 | \$ 752,880 | \$ 324,112 |
| Firefighters' Plan | 648,861 | 428,778 | 240,424 |

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

For the year ended June 30, 2015, the Town recognized pension expense of \$19,615. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Town Plan | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ | \$ 89,019 |
| Changes of assumptions | 145,953 | |
| Net difference between projected and actual earning on pension plan investments | 185,832 | |
| Total | \$ 331,785 | \$ 89,019 |

| | Firefighters' Plan | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 65,716 | \$ |
| Changes of assumptions | 45,276 | |
| Net difference between projected and actual earning on pension plan investments | 67,212 | |
| Total | \$ 178,204 | \$ - |

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Year Ending June 30,

| | | |
|------------|----|-----------------------|
| 2016 | \$ | 98,095 |
| 2017 | | 98,095 |
| 2018 | | 98,095 |
| 2019 | | 79,117 |
| 2020 | | 15,856 |
| Thereafter | | <u>31,712</u> |
| Total | \$ | <u><u>420,970</u></u> |

Combining Statement of Net Position

| | Pension Trust Funds | | |
|------------------------------------|---|---|----------------------------|
| | Town Employees' Pension Plan | Volunteer Firefighters' Pension Plan | Total |
| ASSETS | | | |
| Investments, at Fair Value | \$ <u><u>4,229,618</u></u> | \$ <u><u>1,505,263</u></u> | \$ <u><u>5,734,881</u></u> |
| NET POSITION | | | |
| Held in Trust for Pension Benefits | \$ <u><u>4,229,618</u></u> | \$ <u><u>1,505,263</u></u> | \$ <u><u>5,734,881</u></u> |

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Combining Statement of Changes in Plan Net Position

| | Pension Trust Funds | | |
|---|---|---|--------------|
| | Town Employees' Pension Plan | Volunteer Firefighters' Pension Plan | Total |
| Additions: | | | |
| Employer contributions | \$ 240,000 | \$ 83,000 | \$ 323,000 |
| Investment gains: | | | |
| Interest, dividends and changes in fair value | 57,117 | 20,591 | 77,708 |
| Total additions | 297,117 | 103,591 | 400,708 |
| Deductions: | | | |
| Benefit payments | 163,836 | 102,370 | 266,206 |
| Change in Net Position | 133,281 | 1,221 | 134,502 |
| Net Position at Beginning of Year | 4,096,337 | 1,504,042 | 5,600,379 |
| Net Position at End of Year | \$ 4,229,618 | \$ 1,505,263 | \$ 5,734,881 |

9. COMMITMENTS AND CONTINGENCIES

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

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

10. RISK MANAGEMENT

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

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

TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

11. PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF NET POSITION

The following restatement was recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*:

| | |
|---|-----------------------------|
| Net position balance at June 30, 2014, as previously reported | \$ 27,485,027 |
| Adjustments: | |
| Eliminate net pension obligation reported per GASB No. 27 | 227,478 |
| Eliminate net pension assets reported per GASB No. 27 | (3,415) |
| Record starting net pension liability per GASB No. 68 | <u>(741,073)</u> |
| Net Position Balance at July 1, 2014, as Restated | \$ <u><u>26,968,017</u></u> |

**Required
Supplementary
Information**

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

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

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

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

N/A - Not applicable. Plan members are volunteers

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------------|-------------------|-------------------|---------------------|--------------------|-------------------|--------------------|--------------------|-----------------|------------------|
| Actuarially determined contribution | \$ 241,148 | \$ 190,042 | \$ 235,001 | \$ 186,591 | \$ 295,860 | \$ 294,688 | \$ 262,526 | \$ 227,608 | \$ 233,178 | \$ 256,565 |
| Contributions in relation to the actuarially determined contribution | <u>90,000</u> | <u>90,000</u> | <u>125,000</u> | <u>420,834</u> | <u>312,000</u> | <u>187,000</u> | <u>294,688</u> | <u>262,526</u> | <u>227,608</u> | <u>240,000</u> |
| Contribution Deficiency (Excess) | <u>\$ 151,148</u> | <u>\$ 100,042</u> | <u>\$ 110,001</u> | <u>\$ (234,243)</u> | <u>\$ (16,140)</u> | <u>\$ 107,688</u> | <u>\$ (32,162)</u> | <u>\$ (34,918)</u> | <u>\$ 5,570</u> | <u>\$ 16,565</u> |
| Covered-employee payroll | \$ 961,475 | \$ 956,373 | \$ 1,062,823 | \$ 1,036,824 | \$ 1,021,432 | \$ 1,131,163 | \$ 1,150,309 | \$ 1,012,849 | \$ 1,001,353 | \$ 1,096,743 |
| Contributions as a percentage of covered-employee payroll | 9.36% | 9.41% | 11.76% | 40.59% | 30.55% | 16.53% | 25.62% | 25.92% | 22.73% | 21.88% |

Notes to Schedule

Valuation date: January 1, 2014

Measurement date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported

| | |
|---|---|
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 7.5 years |
| Asset valuation method | Contract value for unallocated contracts and market value for pooled separate accounts |
| Inflation | 3.0% |
| Salary increases | Annual compensation is assumed to increase 5% per annum compounded annually |
| Investment rate of return | 7.00% per annum compounded annually |
| Retirement age | Normal retirement is age 65 and 5 years of participation |
| | Early retirement is age 55 and 7 years of service |
| Mortality | RP2014 Mortality Tables for Males and Females with generational projections using Scale MP-2014 |

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|--------------------|------------------|-------------------|------------------|------------------|-----------------|--------------------|--------------------|--------------------|--------------------|
| Actuarially determined contribution | \$ 61,741 | \$ 54,958 | \$ 65,649 | \$ 100,909 | \$ 101,037 | \$ 82,657 | \$ 77,239 | \$ 73,893 | \$ 56,936 | \$ 60,922 |
| Contributions in relation to the actuarially determined contribution | <u>75,000</u> | <u>75,000</u> | <u>75,000</u> | <u>59,080</u> | <u>75,000</u> | <u>75,000</u> | <u>108,110</u> | <u>92,000</u> | <u>82,646</u> | <u>83,000</u> |
| Contribution Deficiency (Excess) | <u>\$ (13,259)</u> | <u>\$ 54,958</u> | <u>\$ (9,351)</u> | <u>\$ 41,829</u> | <u>\$ 26,037</u> | <u>\$ 7,657</u> | <u>\$ (30,871)</u> | <u>\$ (18,107)</u> | <u>\$ (25,710)</u> | <u>\$ (22,078)</u> |
| Covered-employee payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered-employee payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

Valuation date: July 1, 2014

Measurement date: 2015

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Normal cost |
| Remaining amortization period | 10 years |
| Asset valuation method | Contract value for unallocated contracts and market value for pooled separate accounts |
| Inflation | 3.0% |
| Salary increases | N/A |
| Investment rate of return | 7.00% per annum compounded annually |
| Retirement age | Normal retirement is age 65 and 5 years of participation |
| | Early retirement is age 55 and 10 years of service |
| Mortality | 2014 Option Combined Tables for Males and Females (IRB 2007-24) |

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

| | <u>2014</u> | <u>2015</u> |
|--|--------------------|--------------------|
| Annual money-weighted rate of return, net of investment expense: | | |
| Town Employees' Pension Plan | 13.72% | 1.38% |
| Volunteer Firefighters' Pension Plan | 15.05% | 1.37% |