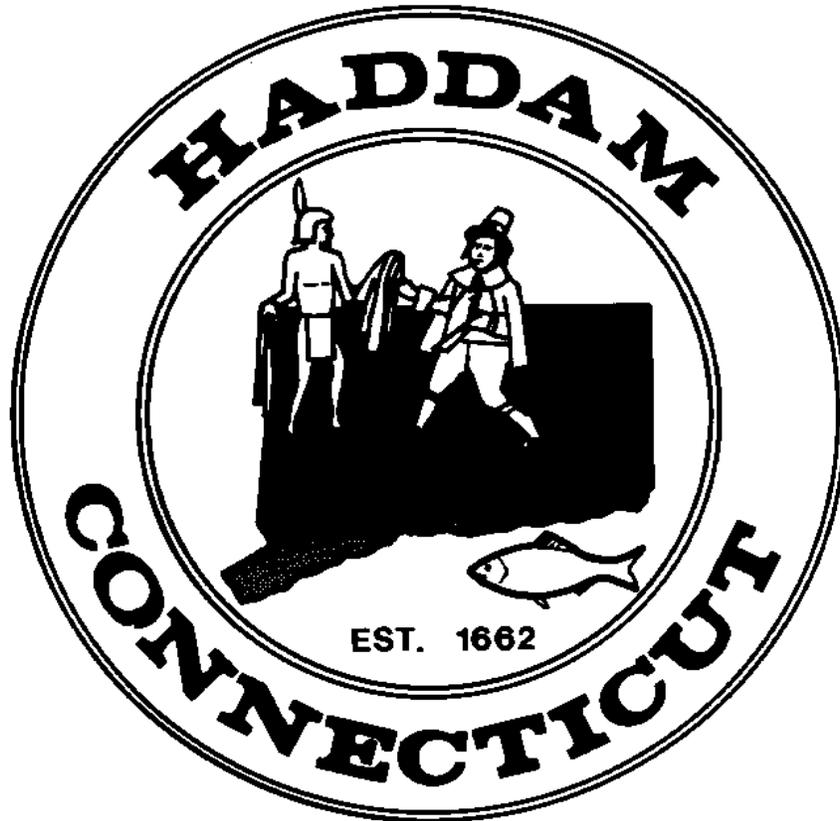


TOWN OF HADDAM, CONNECTICUT



Annual Financial Report

For The Year Ended
June 30, 2012

TOWN OF HADDAM, CONNECTICUT
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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ANNUAL FINANCIAL REPORT
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Independent Auditors' Report



Accounting | Tax | Business Consulting

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town of Haddam, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Haddam, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Haddam, Connecticut's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Haddam, Connecticut, as of June 30, 2012 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2012 on our consideration of the Town of Haddam, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, and the schedule of funding progress - Pension Trust Funds on page 44 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, who consider 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Haddam, Connecticut's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules and trend information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and 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 financial trends 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.

Blum, Shapiro & Company, P.C.

December 1, 2012

**Management's
Discussion and
Analysis**



Management's Discussion and Analysis For the Year Ended June 30, 2012

As management of the Town of Haddam, we offer readers of the Town of Haddam's financial statements this narrative overview and analysis of the financial activities of the Town of Haddam for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$25,404,489 (*net assets*). Of this amount, \$7,878,607 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$2,810,632. This was due substantially to an increase in positive operations of the General Fund, and donated infrastructure capital assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,135,448, a decrease of \$2,167,303 in comparison with the prior year. This decrease is due to positive operating results of the General Fund of \$623,501 offset by net decrease in fund balance for the transfer Station fund of \$2,707,858.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,195,092, an increase of \$623,501 in comparison with the prior year. This represents 11.7% percent of total General Fund expenditures and transfers out.
- Long-term liabilities decreased by a net of \$1,058,074 due to the payment of scheduled capital lease payments and a decrease of the landfill liability post closure liability due to completion of the remediation as part of the Transfer Station project.

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 assets* and *statement of activities* report information for the Town as whole and attempt to present information in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

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

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

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

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

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

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

The Town maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Nonrecurring fund and the Transfer Station Fund, which are considered to be major funds. Data from the other 9 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, because of a trust agreement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets (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 concerning the Town's progress in funding its obligation to provide pension benefits to its employees.

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 assets may serve over time as a useful indicator of a Town's financial position. The Town's combined net assets increased from \$22,593,857 to \$25,404,489.

By far the largest portion of the Town's net assets (68.6%) 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.

**TOWN OF HADDAM
SUMMARY STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities	
	2012	2011
Current and other assets	\$ 10,436,034	\$ 8,497,599
Capital assets, net	20,419,090	16,538,489
Total assets	30,855,124	25,036,088
Long-term liabilities	808,853	1,866,927
Other liabilities	4,641,782	575,304
Total liabilities	5,450,635	2,442,231
Invested in capital assets, net of related debt	17,438,822	16,317,621
Restricted	87,060	87,764
Unrestricted	7,878,607	6,188,472
Total Net Assets	\$ 25,404,489	\$ 22,593,857

A portion of the Town's net assets (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (31.0%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Town's net assets by \$2,810,632. Key elements of this increase are as follows:

**TOWN OF HADDAM
CHANGES IN NET ASSETS**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 397,182	\$ 346,358
Operating grants and contributions	1,923,734	1,483,498
Capital grants and contributions	930,657	1,028,344
General revenues:		
Property taxes	25,321,337	24,872,125
Grants and contributions not restricted to specific programs	202,899	216,196
Unrestricted investment earnings	29,394	36,014
Other general revenues	128,974	2,144
Total revenues	<u>28,934,177</u>	<u>27,984,679</u>
Expenses:		
General government	2,472,043	2,355,631
Public safety	1,195,176	1,056,072
Public works	1,412,438	2,564,669
Health and welfare	329,147	352,571
Miscellaneous organizations/recreation	535,359	540,592
Education	20,170,062	19,463,675
Interest on long-term debt	9,320	13,031
Total expenses	<u>26,123,545</u>	<u>26,346,241</u>
Change in net assets	2,810,632	1,638,438
Net Assets, Beginning of Year	<u>22,593,857</u>	<u>20,955,419</u>
Net Assets, End of Year	<u>\$ 25,404,489</u>	<u>\$ 22,593,857</u>

Governmental activities (continued)

- Operating grants increased by \$475,236 (32.0%). The increase was due to increased State funding for education, LOCIP grant and the FEMA reimbursements received for the two storms that occurred during the fiscal year. In 2011 the federal stimulus monies (ARRA) were provided directly to the Regional School District No. 17, which provided the Town's education services. In 2012, the monies were again provided to the Town.
- Capital grants and contributions decreased by \$97,687 (9.5%). This was due to the reduction as compared to prior year of the donation to the Town of completed roads by developers.
- General government expenditures increased in by \$116,412 (4.9%). The majority of this increase was due to salary and benefit increases.
- Public works expenses decreased by \$1,152,231 due to the road reconstruction projects being capitalized and a decrease in the snow removal and related expenses.

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 \$4,135,448. 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 (\$87,060), committed for capital projects, debt service and other special revenue activities (\$3,122,005), and unassigned of \$3,195,092 in the General Fund of set by the deficit balance in the Transfer Station fund of \$2,372,251.

The total fund balance decreased by \$2,167,303, which was a result of positive General Fund operations of \$623,501, and decreases in the amounts available for the Road Fund and new Transfer Station fund.

The General Fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,195,092. As a measure of the General Fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 11.7% of total General Fund expenditures and transfers out.

The fund balance of the General Fund increased by \$623,501 during the current fiscal year. Key factors were as follows:

- On the revenue side, tax revenue collections exceeded estimates by \$136,530 and intergovernmental revenues were higher by \$105,935 state aid of (\$2,197,636). In total, revenues were \$278,488 more than budgeted. The increase in fund balance was also attributable to the Town expending less than budgeted by \$345,013.

On the expenditure side the following are some areas the Town realized some savings:

- The Fire Protection budget line item was under spent by \$86,975 due to the need to replace certain items being postpone to the following fiscal year.
- Town Counsel line item was \$17,205 under budget due to the reduction in required legal representation.
- Savings of \$17,709 were realized for insurance and benefits to experience ratings and reduced costs.
- Education was also under budget by \$55,621 due to cost saving realized relating to medical benefits after the budget had been approved.
- The Contingency line was also under budget by \$72,256.

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 approximately 55 separate projects, with many projects funded over multiple years. The Capital Projects fund's revenues exceeded its expenditures and transfers by \$187,074. The total fund balance at June 30, 2012 totaled \$1,401,614.

Transfer Station Fund. This fund accounts for the remediation of the Town's old landfill site and the construction of a new Transfer Station. The Town issued \$2,800,000 of bond anticipation notes to finance the project, along with \$405,000 of funds previously available, for a total project cost of \$3,205,000. Transfer Station expenditures exceeded funding by \$2,707,858 during the year. The Town issued \$2,800,000 of bonds to permanently finance the project in August 2012, which will eliminate the June 30, 2012 deficit amount of \$2,372,251.

General Fund Budgetary Highlights

There were no additional appropriations made during the year. The differences between the original budget and the final amended budget were generally a result of transfer from the Contingency budget line. The one major budget transfer made during the year was from the Public Works budget to the transfer out to the Road fund in the amount of \$200,000.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental type activities as of June 30, 2012, amounts to \$20,419,090 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, vehicles, machinery and equipment, sewer lines, roads, bridges, sidewalks and system storm drains. The net increase in the Town's investment in capital assets for the current fiscal year was \$3,880,601 (23.4%). This increase is largely due to the increase in construction in progress for road projects and the Transfer Station. 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:

- Road reconstructions recorded as construction in progress totaled \$46,107.
- Transfer Station recorded as construction in progress totaled \$2,717,534.
- Contributed roads from developers totaled \$465,820.

**TOWN OF HADDAM
CAPITAL ASSETS - NET**

	Governmental Activities	
	2012	2011
Land	\$ 920,252	\$ 920,252
Land improvements	930,556	914,598
Construction in progress	2,970,218	680,263
Buildings and improvements	3,959,849	3,903,824
Machinery and equipment	663,856	702,725
Infrastructure	9,637,777	7,938,896
Motor vehicles	1,336,582	1,477,931
 Total	 \$ 20,419,090	 \$ 16,538,489

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

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$180,268. All debt is backed by the full faith and credit of the Town.

**TOWN OF HADDAM
LONG-TERM DEBT**

	Governmental Activities	
	2012	2011
Capital Lease Payable	\$ 180,268	\$ 220,868

As of June 30, 2012, the Town did not have a bond rating. In August of 2012, the Town issued bonds totaling \$2,800,000 which paid off the bond anticipation notes issued for the Transfer Station project with a 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 \$177,009,133, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 6.1%, which is a decrease from a rate of 6.4% a year ago. The Town's rate is favorable as compared to the State rate of 8.1% and comparable to the Hartford Labor Market rate of 8.1%. While Connecticut is still in line with the national average of 8.2%, the overall trend has been slow job market growth of only 0.5% since June 2011.
- The Town is under even greater fiscal pressure from voter opposition in the tax levy. Voter opposition remains regardless of the fact that the Town has no control over its significant revenue sources other than property taxes. The Town faces cost increases from contractual obligations as well as fixed costs, and the continued failed budgets will only result in loss of services, personnel and infrastructure improvements.

All of these factors were considered in preparing the Town's budget for the 2012-2013 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 ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 8,386,685
Investments	43,127
Receivables:	
Property taxes, net of allowance for uncollectibles of \$100,000	1,122,366
Interest, net of allowance for uncollectibles of \$300,000	536,438
Other	347,418
Capital assets:	
Nondepreciable	3,890,470
Depreciable, net	16,528,620
Total assets	<u>30,855,124</u>
Liabilities:	
Accounts payable	1,815,515
Accrued salaries and benefits payable	26,267
Bond anticipation notes payable	2,800,000
Noncurrent liabilities:	
Due within one year	58,782
Due in more than one year	750,071
Total liabilities	<u>5,450,635</u>
Net Assets:	
Invested in capital assets, net of related debt	17,438,822
Restricted:	
General government	28,640
Health and welfare	58,420
Unrestricted	<u>7,878,607</u>
Total Net Assets	<u><u>\$ 25,404,489</u></u>

The accompanying notes are an integral part of the financial statements

EXHIBIT II

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,472,043	\$ 368,252	\$ 195,124	\$ 17,204	\$ (1,891,463)
Public safety	1,195,176	27,230			(1,167,946)
Public works	1,412,438	1,700		913,453	(497,285)
Health and welfare	329,147				(329,147)
Culture and recreation	535,359				(535,359)
Education	20,170,062		1,728,610		(18,441,452)
Interest expense	9,320				(9,320)
Total Governmental Activities	\$ 26,123,545	\$ 397,182	\$ 1,923,734	\$ 930,657	(22,871,972)
General revenues:					
Property taxes, levied for general purposes					25,321,337
Grants and contributions not restricted to specific programs					202,899
Unrestricted investment earnings					29,394
Miscellaneous					128,974
Total general revenues					<u>25,682,604</u>
Change in Net Assets					2,810,632
Net Assets at Beginning of Year					<u>22,593,857</u>
Net Assets at End of Year					<u>\$ 25,404,489</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Transfer Station</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,458,553	\$ 258,761	\$ 1,410,561	\$ 258,810	\$ 8,386,685
Investments		18,487		24,640	43,127
Receivables:					
Property taxes	1,122,366				1,122,366
Intergovernmental receivable	67,400			129,888	197,288
Other	46,588			103,542	150,130
Due from other funds	857,849	1,124,366		1,438,038	3,420,253
Total Assets	<u>\$ 8,552,756</u>	<u>\$ 1,401,614</u>	<u>\$ 1,410,561</u>	<u>\$ 1,954,918</u>	<u>\$ 13,319,849</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,646,627		\$ 124,963	\$ 43,925	\$ 1,815,515
Accrued salaries and benefits payable	26,267				26,267
Deferred revenue	1,122,366				1,122,366
Due to other funds	2,562,404		857,849		3,420,253
Bond anticipation notes payable			2,800,000		2,800,000
Total liabilities	<u>5,357,664</u>	<u>-</u>	<u>3,782,812</u>	<u>43,925</u>	<u>9,184,401</u>
Fund balances:					
Nonspendable				103,542	103,542
Restricted				87,060	87,060
Committed		1,401,614		1,720,391	3,122,005
Unassigned	3,195,092		(2,372,251)		822,841
Total fund balances	<u>3,195,092</u>	<u>1,401,614</u>	<u>(2,372,251)</u>	<u>1,910,993</u>	<u>4,135,448</u>
Total Liabilities and Fund Balances	<u>\$ 8,552,756</u>	<u>\$ 1,401,614</u>	<u>\$ 1,410,561</u>	<u>\$ 1,954,918</u>	<u>\$ 13,319,849</u>

(Continued on next page)

**TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2012**

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

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

Total fund balances for governmental funds (Exhibit III)	\$ 4,135,448
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	\$ 61,967,626
Less accumulated depreciation and amortization	<u>(41,548,536)</u>
Total capital assets, net	20,419,090
Some of the Town's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the governmental funds.	1,122,366
Accrued interest on property taxes, net, is not susceptible to accrual and, therefore, is not reported in the governmental funds.	536,438
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:	
Capital leases	(180,268)
Net pension obligation	(341,571)
Landfill closure and post closure costs	(266,250)
Other	<u>(20,764)</u>
Net Assets of Governmental Activities (Exhibit I)	<u>\$ 25,404,489</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, 2012**

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Transfer Station</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and lien fees	\$ 25,282,077	\$	\$	\$	\$ 25,282,077
Intergovernmental	2,197,636			462,175	2,659,811
Charges for services	427,349			22,059	449,408
Income from investments	25,454	1,791	1,299	850	29,394
Miscellaneous			8,377		8,377
Total revenues	<u>27,932,516</u>	<u>1,791</u>	<u>9,676</u>	<u>485,084</u>	<u>28,429,067</u>
Expenditures:					
Current:					
General government	2,381,744			165,147	2,546,891
Public safety	765,178			40,244	805,422
Public works	2,040,341			2,680	2,043,021
Health and welfare	329,147				329,147
Culture and recreation	497,520				497,520
Education	20,170,062				20,170,062
Debt service:					
Principal and interest payments	49,921				49,921
Capital outlays		299,819	2,717,534	1,137,033	4,154,386
Total expenditures	<u>26,233,913</u>	<u>299,819</u>	<u>2,717,534</u>	<u>1,345,104</u>	<u>30,596,370</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,698,603</u>	<u>(298,028)</u>	<u>(2,707,858)</u>	<u>(860,020)</u>	<u>(2,167,303)</u>
Other Financing Sources (Uses):					
Transfers in	110,000	485,102		700,000	1,295,102
Transfers out	(1,185,102)			(110,000)	(1,295,102)
Total other financing sources (uses)	<u>(1,075,102)</u>	<u>485,102</u>	<u>-</u>	<u>590,000</u>	<u>-</u>
Net Change in Fund Balances	623,501	187,074	(2,707,858)	(270,020)	(2,167,303)
Fund Balances at Beginning of Year	<u>2,571,591</u>	<u>1,214,540</u>	<u>335,607</u>	<u>2,181,013</u>	<u>6,302,751</u>
Fund Balances at End of Year	<u>\$ 3,195,092</u>	<u>\$ 1,401,614</u>	<u>\$ (2,372,251)</u>	<u>\$ 1,910,993</u>	<u>\$ 4,135,448</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, 2012**

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) \$ (2,167,303)

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	\$ 4,171,514	
Depreciation expense	(756,763)	
Net adjustment		3,414,751

Contributed capital assets increase net assets in the statement of net activities, but do not appear in the governmental funds because they are not financial resources. 465,850

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

Change in net pension obligation		89,436
Other long term liability		17,006
Change in landfill closure and post closure costs		911,032

Interest on property taxes receivable are not susceptible to accrual and, therefore, are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds. 29,823

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

Change in deferred revenue 9,437

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 assets. The net effect of these differences in the treatment of long-term obligations is as follows:

Principal repayments on capital leases 40,600

Change in Net Assets of Governmental Activities \$ 2,810,632

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Taxes, interest and lien fees	\$ 25,145,527	\$ 25,145,527	\$ 25,282,077	\$ 136,550
Intergovernmental	2,091,701	2,091,701	2,197,636	105,935
Charges for services	381,800	381,800	427,349	45,549
Interest income	35,000	35,000	25,454	(9,546)
Total revenues	<u>27,654,028</u>	<u>27,654,028</u>	<u>27,932,516</u>	<u>278,488</u>
Expenditures:				
Current:				
General government	2,590,612	2,565,702	2,381,744	183,958
Public safety	850,181	856,181	765,178	91,003
Public works	2,221,431	2,040,341	2,040,341	-
Health and welfare	337,900	337,900	329,147	8,753
Culture and recreation	503,198	503,198	497,520	5,678
Education	20,225,683	20,225,683	20,170,062	55,621
Debt service	49,921	49,921	49,921	-
Total expenditures	<u>26,778,926</u>	<u>26,578,926</u>	<u>26,233,913</u>	<u>345,013</u>
Excess of revenues over expenditures	<u>875,102</u>	<u>1,075,102</u>	<u>1,698,603</u>	<u>623,501</u>
Other financing sources (uses):				
Transfers in	110,000	110,000	110,000	-
Transfers out	(985,102)	(1,185,102)	(1,185,102)	-
Total other financing uses	<u>(875,102)</u>	<u>(1,075,102)</u>	<u>(1,075,102)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	623,501	<u>\$ 623,501</u>
Fund Balance at Beginning of Year			<u>2,571,591</u>	
Fund Balance at End of Year			<u>\$ 3,195,092</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2012

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$	\$ 375,082
Investments:		
Mutual funds	<u>4,197,639</u>	<u> </u>
Total assets	<u>4,197,639</u>	<u>\$ 375,082</u>
Liabilities:		
Due to others	<u> </u>	<u>\$ 375,082</u>
Total liabilities	<u>-</u>	<u>\$ 375,082</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 4,197,639</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Pension Trust Funds</u>
Additions:	
Employer contributions	\$ 402,798
Investment losses:	
Change in the fair value of investments	<u>(66,491)</u>
Total additions	336,307
Deductions:	
Benefit payments	<u>181,196</u>
Change in Net Assets	155,111
Net Assets at Beginning of Year	<u>4,042,528</u>
Net Assets at End of Year	<u><u>\$ 4,197,639</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, except for property taxes, the Town considers 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.

Property taxes, 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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

D. Deposits and Investments

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

Investments are reported at fair value.

E. Receivables and Payables

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

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

F. Capital Assets

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

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

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

H. Net Pension Obligation

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

I. Equity

Equity in the government-wide financial statements is defined as "net assets" and is classified in the following categories:

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

Restricted Net Assets - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes 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 nor more than ten (10) percent of the total operating general fund expenditures.

J. 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 \$100,000 and \$300,000, respectively, as of June 30, 2012.

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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period. Property taxes receivable outstanding as of the end of the fiscal year are reflected in deferred 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.

K. 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. During the year, there were no additional General Fund appropriations from additional revenue sources.
- 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.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

- The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level. For the year ended June 30, 2012, there were no instances where expenditures exceeded appropriations at the department level (the legal level of control) of the General Fund.

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, 2012</u>
\$ 3,205,000	\$ 2,788,524	\$ 416,476

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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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*, \$7,754,120 of the Town's bank balance of \$8,769,832 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,916,141
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>837,979</u>
	<u>\$ 7,754,120</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, 2012, the Town's cash equivalents amounted to \$100,868. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

C. Investments

As of June 30, 2012, the Town's investments consisted of the following:

<u>Investment type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
			<u>N/A</u>	<u>Less Than 1</u>	<u>1 to 5</u>
Interest Bearing Investments:					
Certificates of deposit *	N/A	\$ 43,127		\$ <u>43,127</u>	
Other investments:					
Mutual Funds - Equity	N/A	2,550,905			
Mutual Funds - Bonds	**	<u>1,646,734</u>			
Total investments		<u>\$ 4,240,766</u>			

* Subject to coverage by Federal Depository Insurance and collateralization

** Bond mutual funds credit rating:

AAA	\$ 968,115
AA	105,391
A	214,569
BBB	149,853
BB	100,451
B	68,010
Nonrated	<u>40,345</u>
	<u>\$ 1,646,734</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Town has separately disclosed its Pension Trust Fund investments, as these investments have greater risk exposures than the Town's investments. As of June 30, 2012, the Pension Trust Fund investments totaled \$4,197,639 and consisted of mutual funds investing in equity, bonds and real estate securities.

Government-wide statement of net assets:	
Investments	\$ 43,127
Statement of fiduciary net assets:	
Investments - Pension Trust Funds	<u>4,197,639</u>
	<u>\$ 4,240,766</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, 2012. The Town does not have a policy for custodial credit risk.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Concentrations of Credit Risk - The Town places no limit on the amount of investment in any one issuer. More than 5% of the Town's investments are in certificates of deposit and the Short-Term Investment Fund. 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.

4. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable	\$ <u><u>1,122,366</u></u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 920,252	\$	\$	\$ 920,252
Construction in progress	<u>680,263</u>	<u>2,766,231</u>	<u>476,276</u>	<u>2,970,218</u>
Total capital assets not being depreciated	<u>1,600,515</u>	<u>2,766,231</u>	<u>476,276</u>	<u>3,890,470</u>
Capital assets being depreciated:				
Land improvements	1,115,140	8,617		1,123,757
Buildings and improvements	5,789,898	184,794		5,974,692
Machinery and equipment	1,834,955	148,441		1,983,396
Infrastructure	43,392,502	2,000,557		45,393,059
Motor vehicles	<u>3,658,611</u>	<u>5,000</u>	<u>61,359</u>	<u>3,602,252</u>
Total capital assets being depreciated	<u>55,791,106</u>	<u>2,347,409</u>	<u>61,359</u>	<u>58,077,156</u>
Less accumulated depreciation for:				
Land improvements	165,023	28,178		193,201
Buildings and improvements	1,886,074	128,769		2,014,843
Machinery and equipment	1,167,749	151,791		1,319,540
Infrastructure	35,453,606	301,676		35,755,282
Motor vehicles	<u>2,180,680</u>	<u>146,349</u>	<u>61,359</u>	<u>2,265,670</u>
Total accumulated depreciation	<u>40,853,132</u>	<u>756,763</u>	<u>61,359</u>	<u>41,548,536</u>
Total capital assets being depreciated, net	<u>14,937,974</u>	<u>1,590,646</u>	<u>-</u>	<u>16,528,620</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,538,489</u>	<u>\$ 4,356,877</u>	<u>\$ 476,276</u>	<u>\$ 20,419,090</u>

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

Governmental activities:	
General government	\$ 16,157
Public safety	309,955
Public works	392,812
Culture and recreation	<u>37,839</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 756,763</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Construction Commitments

The Town has active construction projects as of June 30, 2012. The projects include road work, WASM restoration, Indian River Complex turf field and bulkheads. At year end, the Town has commitments of \$416,476 for the Transfer Station Project.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Transfer Station	\$ 857,849
Capital Nonrecurring Fund	General Fund	1,124,366
Nonmajor Funds	General Fund	<u>1,438,038</u>
Total		<u>\$ 3,420,253</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, 2012 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental funds:		
General Fund	Nonmajor funds	\$ 110,000
Capital Nonrecurring Fund	General Fund	485,102
Nonmajor funds	General Fund	<u>700,000</u>
Total		<u>\$ 1,295,102</u>

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

7. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 220,868		\$ 40,600	\$ 180,268	\$ 42,313
Net pension obligation	431,007		89,436	341,571	
Landfill					
post-closure costs	1,177,282		911,032	266,250	8,875
Other	37,770		17,006	20,764	7,594
	<u>\$ 1,866,927</u>	<u>\$ -</u>	<u>\$ 1,058,074</u>	<u>\$ 808,853</u>	<u>\$ 58,782</u>

The above liabilities will be liquidated by General Fund appropriations.

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 \$177,009,133 as of June 30, 2012. 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, 2012.

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 56,895,793	\$ 3,205,000	\$ 53,690,793
Schools	113,791,586	8,982,900	104,808,686
Sewers	94,826,321	-	94,826,321
Urban renewal	82,182,812	-	82,182,812
Pension deficit	75,861,057	-	75,861,057

C. Regional School District Commitments

The Town of Haddam 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, 2012, the outstanding bonded indebtedness of the District was \$16,545,000. The Town of Haddam's share will be approximately 54% of the outstanding indebtedness, or \$8,982,800. These are general obligations of Regional School District No. 17 and its member towns. However, the Town is not required to record its share in its financial statements.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

D. Capital Leases

A summary of assets acquired through capital leases are as follows as of June 30, 2012:

		<u>Governmental Activities</u>
Motor vehicles	\$	435,530
Less accumulated amortization		<u>(217,765)</u>
	\$	<u><u>217,765</u></u>

Depreciation expense relative to leased property under capital leases totaled \$29,035 for the year ended June 30, 2012 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, 2012 are as follows:

<u>Year Ending June 30</u>		<u>Governmental Activities</u>
2013	\$	49,920
2014		49,920
2015		49,920
2016		<u>49,920</u>
Total minimum lease payments		199,680
Less amount representing interest		<u>19,412</u>
Present Value of Minimum Lease Payments	\$	<u><u>180,268</u></u>

E. Landfill Post-Closure Care Costs

State and Federal laws and regulations require landfill closures to meet certain standards. The Town has finalized an agreement with the State Department of Environmental Protection for final capping of the landfill and has begun the closing process. Per the agreement with the State, it will be completed by June 30, 2012. Estimated monitoring costs for the next 30 years at \$8,875 per year are \$266,250. These amounts are based on estimates which are subject to change due to inflation, technology or applicable laws and regulations.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

F. Authorized but Unissued

The amount of authorized but unissued bonds for the transfer station project is \$405,000.

G. Other

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

8. BOND ANTICIPATION NOTES

On September 1, 2011, the Town issued General Bond Anticipation Notes in the amount of \$2,800,000 to finance the planning, engineering and construction of a solid waste transfer station. These bond anticipation notes bear interest at 1.25% and mature on August 30, 2012. The following is a schedule of bond anticipation note activity for the year ended June 30, 2012:

		Governmental Activities
		<u> </u>
Balance, July 1, 2011	\$	-
Issued		2,800,000
Retired		<u> </u>
		-
Balance, June 30, 2012	\$	<u><u>2,800,000</u></u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

9. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Transfer Station</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Loans receivable	\$ _____	\$ _____	\$ _____	\$ 103,542	\$ 103,542
Restricted for:					
Grants	_____	_____	_____	87,060	87,060
Committed to:					
General government				621,714	621,714
Health and welfare				131,022	131,022
Public works				24,921	24,921
Capital projects		1,401,614		918,094	2,319,708
Open space				24,640	24,640
Total committed to	_____	1,401,614	_____	1,720,391	3,122,005
Unassigned	3,195,092	_____	(2,372,251)	_____	822,841
Total Fund Balances	<u>\$ 3,195,092</u>	<u>\$ 1,401,614</u>	<u>\$ (2,372,251)</u>	<u>\$ 1,910,993</u>	<u>\$ 4,135,448</u>

There is a fund balance deficit in the Transfer Station Fund of \$2,372,251 to be funded by future long-term borrowing.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

10. PENSION PLANS

A. Defined Benefit Plans

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.

Plan Descriptions

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. The State of Connecticut Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town of Haddam.

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 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 of Haddam.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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	10	21
Terminated employees entitled to benefits but not yet receiving them	8	37
Active plan members	26	54
	44	112

Summary of Significant Accounting Policies

The Plans are accounted for using the accrual basis of accounting. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Investments are recorded at fair value. Short-term investments are reported at cost, which approximate fair value. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Town, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

Administrative costs are funded by the Town.

Funding Policy

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, 2012, employer contributions to the Town Plan represented 16.3% of covered payroll.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Funded Status

The funded status of each plan as of the most recent actuarial dates is as follows:

	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
Town Plan	\$ 2,775,873	\$ 3,106,041 *	\$ 330,168	89%	\$ 1,150,309	29%
Firefighters' Plan	994,311	1,488,040 **	493,729	67%	N/A	N/A

* Frozen Initial Liability
** Unit Credit

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
Town Plan:			
2012	\$ 262,526	\$ 294,688	112%
2011	294,688	187,000	63%
2010	295,860	312,000	105%
2009	186,591	420,834	226%
2008	235,001	125,000	53%
2007	190,042	90,000	47%
Firefighters' Plan:			
2012	\$ 77,239	\$ 108,110	140%
2011	82,657	75,000	91%
2010	101,037	75,000	74%
2009	100,909 *	59,080	59%
2008	65,649	75,000	114%
2007	54,958	-	0%

* Increase as a result of a change in benefit formula for each year of credited service after July 1, 2010.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Additional Information and Actuarial Assumptions

	Town Plan	Firefighters' Plan
Valuation date	January 1, 2011	July 1, 2010
Actuarial cost method	Frozen Initial Liability	Unit Credit
Amortization method	Level Dollar	Level Dollar
Remaining amortization period (closed)	14.5	10
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	5.00%	N/A

Annual Pension Cost and Net Pension Obligation

	Town Plan	Firefighters' Plan
Annual required contribution	\$ 262,526	\$ 77,239
Interest on net pension obligation	24,413	5,758
Adjustment to annual required contribution	<u>(44,863)</u>	<u>(11,711)</u>
Annual pension cost	242,076	71,286
Contributions made	<u>294,688</u>	<u>108,110</u>
Decrease in net pension obligation	(52,612)	(36,824)
Net pension obligation, beginning of year	<u>348,754</u>	<u>82,253</u>
Net Pension Obligation, End of Year	<u>\$ 296,142</u>	<u>\$ 45,429</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Three-Year Trend Information

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Town Plan:				
2010	\$ 284,825	\$ 312,000	109.5%	\$ 254,019
2011	281,735	187,000	66.4%	348,754
2012	242,076	294,688	121.7%	296,142
Firefighters' Plan:				
2010	\$ 96,794	\$ 75,000	77.5%	\$ 80,417
2011	76,836	75,000	97.6%	82,253
2012	71,286	108,110	151.7%	45,429

Plan Financial Statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2012**

	<u>Pension Trust Funds</u>		
	<u>Town Employees' Pension Plan</u>	<u>Volunteer Firefighters' Pension Plan</u>	<u>Total</u>
ASSETS			
Investments, at fair value	\$ 2,997,914	\$ 1,199,725	\$ 4,197,639
NET ASSETS			
Held in trust for pension benefits	\$ 2,997,914	\$ 1,199,725	\$ 4,197,639

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Pension Plan	Total
Additions:			
Employer contributions	\$ 294,688	\$ 108,110	\$ 402,798
Investment losses:			
Change in the fair value of investments	(45,578)	(20,913)	(66,491)
Total additions	249,110	87,197	336,307
Deductions:			
Benefit payments	101,240	79,956	181,196
Net increase	147,870	7,241	155,111
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	2,850,044	1,192,484	4,042,528
End of Year	\$ 2,997,914	\$ 1,199,725	\$ 4,197,639

**TOWN OF HADDAM, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

11. 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.

12. RISK MANAGEMENT

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

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

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

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

13. SUBSEQUENT EVENTS

The Town issued general obligation bonds of \$2,800,000 dated August 30, 2012 with an interest rate of 2.00-3.00% to permanently finance the planning, engineering, construction of the solid waste transfer station.

Required Supplementary Information

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A)/C
Town Plan *						
January 1, 2011	\$ 2,775,873	\$ 3,106,041	\$ 330,168	89%	\$ 1,150,309	29%
January 1, 2010	2,315,555	2,687,852	372,297	86%	1,065,420	35%
January 1, 2009	1,818,174	2,135,949	317,775	85%	922,579	34%
January 1, 2008	2,197,305	2,773,515	576,210	79%	947,795	61%
January 1, 2007	2,002,424	2,486,926	484,502	81%	1,026,187	47%
January 1, 2006	1,766,739	2,164,766	398,027	82%	953,538	42%
* Frozen Initial Liability						
Firefighters' Plan **						
July 1, 2010	\$ 994,311	\$ 1,488,040	\$ 493,729	67%	N/A	N/A
July 1, 2009	878,949	1,415,228	536,279	62%	N/A	N/A
July 1, 2008	1,035,665	1,339,826	304,161	77%	N/A	N/A
July 1, 2007	1,075,422	1,268,356	192,934	85%	N/A	N/A
July 1, 2006	923,144	1,158,097	234,953	80%	N/A	N/A
July 1, 2005	878,196	1,104,544	226,348	80%	N/A	N/A

** Unit Credit

**Combining and
Individual Fund
Statements and
Schedules**

General Fund

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Taxes, Interest and Lien Fees:				
General property taxes	\$ 25,055,527	\$ 25,055,527	\$ 25,065,712	\$ 10,185
Elderly tax abatement	(85,000)	(85,000)		85,000
Interest and lien fees	150,000	150,000	189,006	39,006
Telecommunications property tax grant	25,000	25,000	27,359	2,359
Total taxes, interest and lien fees	<u>25,145,527</u>	<u>25,145,527</u>	<u>25,282,077</u>	<u>136,550</u>
Intergovernmental:				
Education cost-sharing	1,728,610	1,728,610	1,728,610	-
Tax relief for elderly	45,000	45,000	45,210	210
Veterans' exemption	5,000	5,000	5,120	120
Mashantucket Pequot grant	20,148	20,148	22,702	2,554
Local capital improvement grant	73,487	73,487	147,941	74,454
Revenue Sharing Grant	64,642	64,642	69,511	4,869
PILOT, state owned real property	129,814	129,814	129,867	53
Miscellaneous state and federal	25,000	25,000	48,675	23,675
Total intergovernmental	<u>2,091,701</u>	<u>2,091,701</u>	<u>2,197,636</u>	<u>105,935</u>
Charges for Services:				
Licenses and permits	221,600	221,600	259,393	37,793
Recording fees	75,000	75,000	58,139	(16,861)
Miscellaneous	85,200	85,200	109,817	24,617
Total charges for services	<u>381,800</u>	<u>381,800</u>	<u>427,349</u>	<u>45,549</u>
Interest Income:				
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>25,454</u>	<u>(9,546)</u>
Total revenues	<u>27,654,028</u>	<u>27,654,028</u>	<u>27,932,516</u>	<u>278,488</u>
Other Financing Sources:				
Transfers in	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>\$ 27,764,028</u>	<u>\$ 27,764,028</u>	<u>\$ 28,042,516</u>	<u>\$ 278,488</u>

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General Government:				
Selectman's office	\$ 267,839	\$ 268,035	\$ 268,025	\$ 10
Probate court	2,660	2,660	2,660	-
Elections	45,420	45,420	35,338	10,082
Board of finance	43,410	43,410	43,238	172
Assessor	113,053	115,412	114,636	776
Board of tax review	10	10		10
Tax collector's office	86,406	86,685	86,685	-
Treasurer's office	13,152	13,152	12,929	223
Town counsel	136,010	136,010	118,805	17,205
Town clerk	119,569	119,569	111,923	7,646
Town hall	9,250	9,250	6,267	2,983
Town office building	31,209	31,209	23,195	8,014
Town office building annex	7,110	7,110	4,826	2,284
Planning and zoning	5,550	5,550	5,340	210
Zoning board of appeals	95	95	90	5
Engineering department	50,000	50,000	48,740	1,260
Wetlands	60	60	50	10
Central services	166,314	166,314	157,244	9,070
Insurance and other benefits	1,064,583	1,064,583	1,046,874	17,709
Long range capital planning	200	200	146	54
Senior center	51,669	51,669	44,754	6,915
Youth center	7,819	7,819	7,661	158
Veterans Museum	8,855	8,855	6,471	2,384
Parades	3,825	3,825	3,501	324
Health director/food inspector	65,621	65,621	65,621	-
Economic development	10,600	10,600	5,696	4,904
Land use offices	177,563	177,563	158,689	18,874
Conservation	2,760	2,760	2,340	420
Contingency	100,000	72,256		72,256
Total general government	<u>2,590,612</u>	<u>2,565,702</u>	<u>2,381,744</u>	<u>183,958</u>
Public Safety:				
Fire protection	304,358	304,358	217,383	86,975
Police	296,593	296,593	296,075	518
Animal control	16,004	22,004	20,501	1,503
Emergency management	1,010	1,010	969	41
Homeland Security	10	10		10
Fire marshal	17,919	17,919	17,919	-
Dispatch services	107,380	107,380	107,367	13
Abandoned vehicles	600	600		600
Building department	106,307	106,307	104,964	1,343
Total public safety	<u>850,181</u>	<u>856,181</u>	<u>765,178</u>	<u>91,003</u>
Public Works:				
General labor	604,456	521,507	521,507	-
General maintenance	547,000	539,928	539,928	-
Street lighting	45,000	38,641	38,641	-
Town garage	57,710	53,374	53,374	-
Snow and ice removal	325,000	262,446	262,446	-
Fire hydrants	10			-
Solid waste disposal	617,245	599,445	599,445	-
Tree maintenance	25,010	25,000	25,000	-
Total public works	<u>2,221,431</u>	<u>2,040,341</u>	<u>2,040,341</u>	<u>-</u>

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health and Welfare:				
Public health	\$ 74,329	\$ 74,329	\$ 74,329	\$ -
Social services	75,379	75,379	75,379	-
Transportation for the elderly	41,192	41,192	39,542	1,650
Water pollution & control	12,000	12,000	4,897	7,103
Haddam volunteer ambulance	135,000	135,000	135,000	-
Total public health and welfare	<u>337,900</u>	<u>337,900</u>	<u>329,147</u>	<u>8,753</u>
Culture and Recreation:				
Haddam park and recreation commission	58,904	58,904	55,132	3,772
Regional recreational authority	95,691	95,691	94,227	1,464
Higganum athletic association	7,400	7,400	6,968	432
Village parks society	3,000	3,000	3,000	-
Little league	10	10		10
Middlesex county water	500	500	500	-
Brainerd memorial library	325,893	325,893	325,893	-
Haddam River Days	5,000	5,000	5,000	-
Farmers Market	1,300	1,300	1,300	-
Higganum Cemetery Association	2,500	2,500	2,500	-
Haddam 35th Anniversary	3,000	3,000	3,000	-
Total culture and recreation	<u>503,198</u>	<u>503,198</u>	<u>497,520</u>	<u>5,678</u>
Education	<u>20,225,683</u>	<u>20,225,683</u>	<u>20,170,062</u>	<u>55,621</u>
Debt Service	<u>49,921</u>	<u>49,921</u>	<u>49,921</u>	<u>-</u>
Total Expenditures	26,778,926	26,578,926	26,233,913	345,013
Other Financing Uses:				
Transfer out	<u>985,102</u>	<u>1,185,102</u>	<u>1,185,102</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 27,764,028</u>	<u>\$ 27,764,028</u>	<u>\$ 27,419,015</u>	<u>\$ 345,013</u>

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2012**

Grand List Year	Balance Uncollected July 1, 2011	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2012
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2010	\$	\$ 25,156,673	\$ 38,177	\$ 71,341	\$	\$ 25,123,509	\$ 24,809,142	\$ 70,278	\$ 928	\$ 24,880,348	\$ 314,367
2009	308,018			7,539		300,479	150,366	32,808	1,156	184,330	150,113
2008	99,815			2,921	17,423	79,471	33,626	12,497	404	46,527	45,845
2007	56,092		10		8,087	48,015	22,477	12,268	144	34,889	25,538
2006	23,454		24		2,810	20,668	4,572	2,303	2,575	9,450	16,096
2005	576,479					576,479	17,281	14,862	72	32,215	559,198
2004	14,980					14,980	1,974	2,913	48	4,935	13,006
2003	14,238					14,238	2,544	3,231	48	5,823	11,694
2002	12,014					12,014	2,458	3,564	48	6,070	9,556
2001	15,267					15,267	2,717	4,387	48	7,152	12,550
2000	16,872					16,872	2,157	3,909	48	6,114	14,715
1999	15,404					15,404	1,969	3,923	48	5,940	13,435
1998	15,160					15,160	1,938	4,210	48	6,196	13,222
1997	13,937					13,937	1,782	4,196	50	6,028	12,155
1996	12,470					12,470	1,594	4,030	48	5,672	10,876
1995	10,514			10,439		75	75	23	22	120	-
1994 and prior	8,215			8,215		-				-	-
	<u>\$ 1,212,929</u>	<u>\$ 25,156,673</u>	<u>\$ 38,211</u>	<u>\$ 100,455</u>	<u>\$ 28,320</u>	<u>\$ 26,279,038</u>	<u>\$ 25,056,672</u>	<u>\$ 179,402</u>	<u>\$ 5,735</u>	<u>\$ 25,241,809</u>	<u>\$ 1,222,366</u>

*Nonmajor
Governmental
Funds*

**TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue Funds				
	Medical Insurance Reserve Fund	Material Testing	Small Cities Escrow Fund	Grants	Historic Documents Preservation
ASSETS					
Cash and cash equivalents	\$ 131,022	\$ 24,921	\$ 58,420	\$ 28,640	\$ 15,807
Investments					
Intergovernmental receivable					
Loans receivable			103,542		
Due from other funds					
Total Assets	\$ 131,022	\$ 24,921	\$ 161,962	\$ 28,640	\$ 15,807
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-
Fund Balances:					
Nonspendable			103,542		
Restricted			58,420	28,640	
Committed	131,022	24,921			15,807
Total fund balances	131,022	24,921	161,962	28,640	15,807
Total Liabilities and Fund Balances	\$ 131,022	\$ 24,921	\$ 161,962	\$ 28,640	\$ 15,807

(Continued on next page)

**TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2012**

	<u>Debt Service</u>	<u>Capital Projects</u>			<u>Total</u>
	<u>Debt Service Fund</u>	<u>Open Space Fund</u>	<u>Silver Spring Road Fund</u>	<u>Road Fund</u>	
ASSETS					
Cash and cash equivalents	\$	\$	\$	\$	\$ 258,810
Investments		24,640			24,640
Intergovernmental receivable				129,888	129,888
Loans receivable					103,542
Due from other funds	<u>605,907</u>		<u>140,079</u>	<u>692,052</u>	<u>1,438,038</u>
Total Assets	<u>\$ 605,907</u>	<u>\$ 24,640</u>	<u>\$ 140,079</u>	<u>\$ 821,940</u>	<u>\$ 1,954,918</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 43,925</u>	<u>\$ 43,925</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,925</u>	<u>43,925</u>
Fund Balances:					
Nonspendable					103,542
Restricted					87,060
Committed	<u>605,907</u>	<u>24,640</u>	<u>140,079</u>	<u>778,015</u>	<u>1,720,391</u>
Total fund balances	<u>605,907</u>	<u>24,640</u>	<u>140,079</u>	<u>778,015</u>	<u>1,910,993</u>
Total Liabilities and Fund Balances	<u>\$ 605,907</u>	<u>\$ 24,640</u>	<u>\$ 140,079</u>	<u>\$ 821,940</u>	<u>\$ 1,954,918</u>

TOWN OF HADDAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds				
	Medical Insurance Reserve Fund	Material Testing	Small Cities Escrow Fund	Grants	Historic Documents Preservation
Revenues:					
Intergovernmental	\$	\$	\$	\$ 211,188	\$
Charges for services			17,204		4,855
Interest income	331	85	190	119	
Total revenues	<u>331</u>	<u>85</u>	<u>17,394</u>	<u>211,307</u>	<u>4,855</u>
Expenditures:					
Current:					
General government			1,013	160,944	3,190
Public safety				40,244	
Public works		2,680			
Capital outlays					
Total expenditures	<u>-</u>	<u>2,680</u>	<u>1,013</u>	<u>201,188</u>	<u>3,190</u>
Excess (Deficiency) of Revenues over Expenditures	<u>331</u>	<u>(2,595)</u>	<u>16,381</u>	<u>10,119</u>	<u>1,665</u>
Other Financing Sources (Uses):					
Transfers in					
Transfers out	(100,000)			(10,000)	
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Net Change in Fund Balances	(99,669)	(2,595)	16,381	119	1,665
Fund Balances at Beginning of Year	<u>230,691</u>	<u>27,516</u>	<u>145,581</u>	<u>28,521</u>	<u>14,142</u>
Fund Balances at End of Year	<u>\$ 131,022</u>	<u>\$ 24,921</u>	<u>\$ 161,962</u>	<u>\$ 28,640</u>	<u>\$ 15,807</u>

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TOWN OF HADDAM, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Debt Service</u>	<u>Capital Projects</u>			<u>Total</u>
	<u>Debt Service Fund</u>	<u>Open Space Fund</u>	<u>Silver Spring Road Fund</u>	<u>Road Fund</u>	
Revenues:					
Intergovernmental	\$	\$	\$	\$ 250,987	\$ 462,175
Charges for services					22,059
Interest income		125			850
Total revenues	<u>-</u>	<u>125</u>	<u>-</u>	<u>250,987</u>	<u>485,084</u>
Expenditures:					
Current:					
General government					165,147
Public safety					40,244
Public works					2,680
Capital outlays				1,137,033	1,137,033
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,137,033</u>	<u>1,345,104</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>125</u>	<u>-</u>	<u>(886,046)</u>	<u>(860,020)</u>
Other Financing Sources (Uses):					
Transfers in				700,000	700,000
Transfers out					(110,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>590,000</u>
Net Change in Fund Balances	-	125	-	(186,046)	(270,020)
Fund Balances at Beginning of Year	<u>605,907</u>	<u>24,515</u>	<u>140,079</u>	<u>964,061</u>	<u>2,181,013</u>
Fund Balances at End of Year	<u>\$ 605,907</u>	<u>\$ 24,640</u>	<u>\$ 140,079</u>	<u>\$ 778,015</u>	<u>\$ 1,910,993</u>

*Fiduciary
Funds*

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Balance, July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2012</u>
Performance Bonds				
Assets:				
Cash	\$ 473,886	\$ 111,616	\$ 210,420	\$ 375,082
Liabilities:				
Due to others	\$ 473,886	\$ 111,616	\$ 210,420	\$ 375,082

***Trend
Information***

TABLE 1

TOWN OF HADDAM, CONNECTICUT

NET ASSETS BY COMPONENT
LAST EIGHT YEARS
(UNAUDITED)

	FISCAL YEAR							
	2012	2011	2010	2009	2008	2007	2006	2005
Invested in capital assets, net of related debt	\$ 17,438,822	\$ 16,317,621	\$ 15,755,793	\$ 14,815,567	\$ 15,916,877	\$ 16,107,897	\$ 9,184,834	\$ 8,568,031
Restricted	87,060	87,764	48,867					
Unrestricted	<u>7,878,607</u>	<u>6,188,472</u>	<u>5,150,759</u>	<u>5,676,057</u>	<u>5,667,297</u>	<u>5,391,095</u>	<u>5,284,889</u>	<u>4,922,145</u>
Total Net Assets	<u>\$ 25,404,489</u>	<u>\$ 22,593,857</u>	<u>\$ 20,955,419</u>	<u>\$ 20,491,624</u>	<u>\$ 21,584,174</u>	<u>\$ 21,498,992</u>	<u>\$ 14,469,723</u>	<u>\$ 13,490,176</u>

TOWN OF HADDAM, CONNECTICUT

CHANGES IN NET ASSETS
LAST EIGHT YEARS
(UNAUDITED)

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

TABLE 3

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

		FISCAL YEAR												
		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>					
General fund:														
Committed	\$		\$		\$	2,072,947	\$	1,103,034	\$	1,017,803	\$	614,442	\$	1,088,694
Unassigned		<u>3,195,092</u>	<u>2,571,591</u>	<u>2,024,803</u>	<u>2,199,680</u>	<u>3,448,083</u>	<u>2,954,729</u>	<u>2,298,878</u>	<u>1,741,047</u>					
95 Total General Fund		<u>3,195,092</u>	<u>2,571,591</u>	<u>2,024,803</u>	* <u>4,272,627</u>	<u>4,551,117</u>	<u>3,972,532</u>	<u>2,913,320</u>	<u>2,829,741</u>					
All other governmental funds:														
Nonspendable		103,542	86,338	96,338	96,338	96,338	126,585	116,585	142,900					
Restricted		87,060	87,764	48,867										
Committed		3,122,005	3,557,058	2,964,149	915,168	984,022	1,077,536	1,002,661	1,033,779					
Unassigned		<u>(2,372,251)</u>	<u> </u>											
Total All Other Governmental Funds		<u>940,356</u>	<u>3,731,160</u>	<u>3,109,354</u>	<u>1,011,506</u>	<u>1,080,360</u>	<u>1,204,121</u>	<u>1,119,246</u>	<u>1,176,679</u>					
Grand Total	\$	<u><u>4,135,448</u></u>	<u><u>6,302,751</u></u>	<u><u>5,134,157</u></u>	<u><u>5,284,133</u></u>	<u><u>5,631,477</u></u>	<u><u>5,176,653</u></u>	<u><u>4,032,566</u></u>	<u><u>4,006,420</u></u>					

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

TABLE 4

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

	FISCAL YEAR							
	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:								
Property taxes	\$ 25,282,077	\$ 24,955,511	\$ 23,772,257	\$ 23,260,475	\$ 22,035,328	\$ 21,436,229	\$ 19,223,289	\$ 17,720,281
Intergovernmental	2,659,811	2,124,657	1,944,228	2,340,816	2,463,880	1,576,533	1,956,248	1,745,765
Charges for services	449,408	348,485	440,306	453,993	763,427	680,073	726,883	719,415
Income from investments	29,394	35,752	75,124	88,462	313,285	332,208	229,638	120,108
Other	8,377	52,131	1,250	1,050,649	10,994		40,567	3,987
Total Revenues	<u>28,429,067</u>	<u>27,516,536</u>	<u>26,233,165</u>	<u>27,194,395</u>	<u>25,586,914</u>	<u>24,025,043</u>	<u>22,176,625</u>	<u>20,309,556</u>
Expenditures:								
Current:								
General government	2,546,891	2,229,545	2,430,042	2,613,575	2,271,570	1,957,629	2,191,756	1,603,849
Public safety	805,422	786,289	764,676	707,281	734,567	676,517	613,659	582,576
Public works	2,043,021	2,150,867	1,990,610	2,348,543	1,704,170	1,636,839	1,836,369	1,820,973
Health and welfare	329,147	352,571	339,877	302,024	291,782	254,649	196,159	149,229
Culture and recreation	497,520	502,753	498,885	466,090	452,043	387,991	393,857	348,820
Education	20,170,062	19,463,675	19,468,254	20,293,804	18,488,983	17,273,280	15,658,930	14,580,398
Debt service:								
Principal	40,600	73,988	327,236	192,103	188,910	195,118	125,000	-
Interest	9,321	13,031	13,417	34,279	42,260	40,839	28,725	-
Capital outlay	4,154,386	775,223	1,220,392	584,040	957,805	659,914	1,506,524	2,011,397
Total Expenditures	<u>30,596,370</u>	<u>26,347,942</u>	<u>27,053,389</u>	<u>27,541,739</u>	<u>25,132,090</u>	<u>23,082,776</u>	<u>22,550,979</u>	<u>21,097,242</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,167,303)</u>	<u>1,168,594</u>	<u>(820,224)</u>	<u>(347,344)</u>	<u>454,824</u>	<u>942,267</u>	<u>(374,354)</u>	<u>(787,686)</u>
Other Financing Sources (Uses):								
Capital lease						165,948	400,500	
Issuance of debt								750,000
Sale of capital assets			877,500					
Transfers in	1,295,102	1,269,758	1,631,707	15,379	10,000	25,900	409,737	36,000
Transfers out	(1,295,102)	(1,269,758)	(1,631,707)	(15,379)	(10,000)	(25,900)	(409,737)	(36,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>877,500</u>	<u>-</u>	<u>-</u>	<u>165,948</u>	<u>400,500</u>	<u>750,000</u>
Net Change in Fund Balances	<u>\$ (2,167,303)</u>	<u>\$ 1,168,594</u>	<u>\$ 57,276</u>	<u>\$ (347,344)</u>	<u>\$ 454,824</u>	<u>\$ 1,108,215</u>	<u>\$ 26,146</u>	<u>\$ (37,686)</u>
Debt Service as a Percentage to Noncapital Expenditures	<u>0.24%</u>	<u>0.34%</u>	<u>1.32%</u>	<u>0.84%</u>	<u>0.96%</u>	<u>1.05%</u>	<u>0.73%</u>	<u>0.00%</u>

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

Year Ended June 30	Grand List	Real Estate		Personal Property			Totals			Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Rate	
		Assessed Value	Estimated Actual Value	Motor Vehicle Assessed Value	Personal Property Assessed Value	Total Assessed Value	Estimated Actual Value	Net Assessed Value	Estimated Actual Value			
2012	*	2010	\$ 771,626,576	\$ 1,102,323,680	\$ 63,766,620	\$ 54,944,042	\$ 118,710,662	\$ 169,586,660	\$ 890,337,238	\$ 1,271,910,340	70.00%	28.23
2011		2009	787,724,543	1,125,320,776	58,956,034	51,565,818	110,521,852	157,888,360	898,246,395	\$ 1,283,209,136	70.00%	27.40
2010		2008	775,879,800	1,108,399,714	56,894,800	53,879,372	110,774,172	158,248,817	886,653,972	1,266,648,531	70.00%	26.40
2009		2007	769,144,310	1,098,777,586	60,163,615	54,670,604	114,834,219	164,048,884	883,978,529	1,262,826,470	70.00%	26.00
2008		2006	750,068,690	1,071,526,700	58,337,890	58,732,898	117,070,788	167,243,983	867,139,478	1,238,770,683	70.00%	25.00
2007	*	2005	731,409,970	1,044,871,386	58,045,061	53,822,489	111,867,550	159,810,786	843,277,520	1,204,682,172	70.00%	25.00
2006		2004	507,460,450	724,943,500	54,023,600	50,744,939	104,768,539	149,669,341	612,228,989	874,612,841	70.00%	31.00
2005		2003	493,786,170	705,408,814	49,088,526	48,321,189	97,409,715	139,156,736	591,195,885	844,565,550	70.00%	29.50

* Revaluation performed for Grand List year

TOWN OF HADDAM, CONNECTICUT

**PRINCIPAL TAXPAYERS
2010 GRAND LIST
(UNAUDITED)**

<u>Taxpayer</u>	<u>(1) Assessment</u>	<u>Rank</u>	<u>Percent of Net Taxable Grand List</u>
Connecticut Yankee Atomic Power Company	\$ 40,624,905	1	4.56%
Connecticut Light & Power	28,501,150	2	3.20%
MCAP Sabine Pointe LLC	5,474,950	3	0.61%
Riverhouse Properties, LLC	2,377,180	4	0.27%
Touchtone Development Association, LLC	1,867,480	5	0.21%
Rodgers Realty LLC	1,841,540	6	0.21%
The Davidson Company	1,815,980	7	0.20%
Camp Bethel Association Inc	1,581,950	8	0.18%
Bridge Street Associates	1,464,520	9	0.16%
Village Plaza LLC	<u>1,079,240</u>	10	<u>0.12%</u>
	<u>\$ 86,628,895</u>		<u>9.72%</u>

Source: Town Assessor Department.

(1) The net taxable grand list as of October 1, 2009 totaled \$890,337,238

TABLE 7

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

Year Ended June 30	(1) (2) Tax Rate In Mills	Grand List Of October 1,	Total Adjusted Tax Levy	Net Current Tax Collections	Percent of Current Levy Collected	Total Collections to Date			
						Collections in Subsequent Years	Total Collections	Percentage of Levy Collected	Current Delinquent Balance
2012	28.23	2010	\$ 25,123,509	\$ 24,809,142	98.7%	\$ -	\$ 24,809,142	98.7%	\$ 314,367
2011	27.40	2009	24,653,639	24,322,687	98.7%	180,839	24,503,526	99.4%	150,113
2010	26.40	2008	23,381,524	23,079,561	98.7%	256,118	23,335,679	99.8%	45,845
2009	26.00	2007	22,944,559	22,591,741	97.3%	327,280	22,919,021	99.9%	25,538
2008	25.00	2006	21,607,722	21,272,155	98.4%	319,471	21,591,626	99.9%	16,096
2007	25.00	2005	21,847,411	20,814,348	95.3%	473,865	21,288,213	97.4%	559,198
2006	31.00	2004	19,021,004	18,714,843	98.4%	293,155	19,007,998	99.9%	13,006
2005	29.50	2003	17,512,166	17,237,225	98.4%	263,247	17,500,472	99.9%	11,694

8 Source: Town Audit Reports.

(1) There are no overlapping of tax rates.

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

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

Year Ended June 30	Long-Term Debt Outstanding			Percentage Of Personal Income	Debt Per Capita
	Notes Payable	Capital Leases	Total		
2012	\$ -	\$ 180,268	\$ 180,268	52.14%	\$ 22
2011	-	220,868	220,868	44.32%	27
2010	-	294,858	294,858	33.20%	37
2009	250,000	365,317	615,317	N/A	77
2008	375,000	432,420	807,420	N/A	102
2007	500,000	496,330	996,330	N/A	129
2006	625,000	400,500	1,025,500	N/A	132
2005	750,000	-	750,000	N/A	98

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

N/A The Town had no debt before fiscal year 2005

TABLE 9

TOWN OF HADDAM, CONNECTICUT

**RATIO OF LONG-TERM DEBT TO NET ASSESSED VALUE AND LONG-TERM DEBT PER CAPITA
LAST EIGHT YEARS
(UNAUDITED)**

Year Ended June 30	(1) Population	(2) Net Assessed Value	(3) General Obligation Bonded Debt/ Notes	Ratio Of Bonded Debt/Notes To Net Assessed Value	Debt Per Capita
2012	8,366	\$ 890,337,238	\$ 180,268	0.02%	\$ 22
2011	8,155	898,246,395	220,868	0.02%	27
2010	7,914	886,653,972	294,858	0.03%	37
2009	7,954	883,978,529	615,317	0.07%	77
2008	7,885	867,139,478	807,420	0.09%	102
2007	7,732	843,277,520	996,330	0.12%	129
2006	7,743	612,228,989	1,025,500	0.17%	132
2005	7,653	591,195,885	750,000	0.13%	98

Sources:

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

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374 (b)
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Total tax collections (including interest and lien fees) for current year	\$ 25,241,809
Reimbursement for revenue loss on:	
Tax relief for elderly freeze	<u>45,210</u>
Base for Debt Limitation Computation	<u>\$ 25,287,019</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 56,895,793	\$	\$	\$	\$
4 1/2 times base		113,791,586			
3 3/4 times base			94,826,321		
3 1/4 times base				82,182,812	
3 times base					75,861,057
	<u>56,895,793</u>	<u>113,791,586</u>	<u>94,826,321</u>	<u>82,182,812</u>	<u>75,861,057</u>
Total debt limitation	<u>56,895,793</u>	<u>113,791,586</u>	<u>94,826,321</u>	<u>82,182,812</u>	<u>75,861,057</u>

Indebtedness:					
Bond Anticipation Notes	2,800,000				
Authorized but Unissued Debt	405,000				
Haddam share of Regional School District No. 17 debt		<u>8,982,900</u>			
Total Indebtedness	<u>3,205,000</u>	<u>8,982,900</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 53,690,793</u>	<u>\$ 104,808,686</u>	<u>\$ 94,826,321</u>	<u>\$ 82,182,812</u>	<u>\$ 75,861,057</u>
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The total net indebtedness above amounts to: \$ 12,187,900

In no event shall total indebtedness exceed seven times the base for debt limitation computation \$ 177,009,133

TOWN OF HADDAM, CONNECTICUT

**LEGAL DEBT MARGIN INFORMATION
LAST EIGHT YEARS
(UNAUDITED)**

Year Ended June 30	Debt Limit	Net Debt Applicable To Limit	Legal Debt Margin	Total Net Debt Applicable
2012	\$ 177,009,133	\$ 12,187,900	\$ 164,821,233	6.89%
2011	174,173,846	10,106,250	164,067,596	5.80%
2010	165,350,276	11,400,000	153,950,276	6.89%
2009	161,850,892	12,533,500	149,317,392	7.74%
2008	153,551,657	13,037,500	140,514,157	8.49%
2007	149,744,238	13,878,750	135,865,488	9.27%
2006	134,037,064	17,898,280	116,138,784	13.35%
2005	124,328,302	14,621,000	109,707,302	11.76%

TABLE 12

TOWN OF HADDAM, CONNECTICUT

DEMOGRAPHIC STATISTICS
LAST EIGHT YEARS
(UNAUDITED)

Year Ended	(1) Population	(2) Median Household Income	(3) Median Age	(2) Education Attainment			(4) School Enrollment	(5) Unemployment Percentage
				High School Graduate	Some College	Bachelor Or More		
2012	8,366	\$ 93,987	42	29%	27%	39%	1,375	6.1%
2011	8,155	97,892	44	31%	25%	37%	1,353	6.4%
2010	7,914	97,892	44	31%	25%	37%	1,368	4.0%
2009	7,954	97,561	44	31%	27%	34%	1,394	4.7%
2008	7,885	(6)	(6)	(6)	(6)	(6)	1,456	(6)
2007	7,732	88,417	43	31%	27%	34%	1,449	3.6%
2006	7,743	(6)	(6)	(6)	(6)	(6)	1,271	(6)
2005	7,653	78,571	40	31%	27%	34%	1,289	(6)

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

(2) Connecticut Economic Resource Center, Inc.

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

(4) Regional School District No. 17 annual budget

(5) Connecticut Labor Department - Research and Statistics

(6) Information not available

TOWN OF HADDAM, CONNECTICUT

PRINCIPAL EMPLOYERS

JUNE 30, 2012

(UNAUDITED)

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

Sources: First Selectman's Office Town of Haddam