

Annual Financial Report
of the
Town of East Haven, Connecticut
For the Year Ended June 30, 2018

TOWN OF EAST HAVEN, CONNECTICUT

For the Year Ended June 30, 2018

Table of Contents

| | <u>Page</u> | |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-------|
| <u>Introductory Section</u> | | |
| Organizational Chart | 1 | |
| <u>Financial Section</u> | | |
| Independent Auditors' Report | 2-4 | |
| Management's Discussion and Analysis | 5-12 | |
| <u>Exhibits</u> | | |
| <u>Basic Financial Statements</u> | | |
| <u>Government-Wide Financial Statements</u> | | |
| A | Statement of Net Position | 13-14 |
| B | Statement of Activities | 15 |
| <u>Fund Financial Statements</u> | | |
| C | Balance Sheet - Governmental Funds and Reconciliation of Fund Balances to Net Position | 16-17 |
| D | Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 18 |
| E | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities | 19 |
| F | Statement of Fund Net Position - Internal Service Funds | 20 |
| G | Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds | 21 |
| H | Statement of Cash Flows - Internal Service Funds | 22 |
| I | Statement of Fiduciary Net Position – Fiduciary Funds | 23 |
| J | Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 24 |
| K | Notes to Financial Statements | 25-70 |

TOWN OF EAST HAVEN, CONNECTICUT

For the Year Ended June 30, 2018

Table of Contents

| | | <u>Page</u> |
|------------------|---------------------------------------------------------------------------------------------------|-------------|
| <u>RSI</u> | <u>Required Supplementary Information</u> | |
| 1 | Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 71 |
| 2 | Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund | 72-73 |
| 3 | Schedule of Expenditures - Budget and Actual - General Fund | 74-75 |
| | <u>Connecticut Municipal Employees' Retirement System</u> | |
| 4a | Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions | 76 |
| 4b | Notes to Required Supplementary Information | 77 |
| | <u>Connecticut State Teachers' Retirement System</u> | |
| 5a | Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions | 78 |
| 5b | Notes to Required Supplementary Information | 79 |
| | <u>Other Post-Employment Benefit Plans</u> | |
| 6 | Schedule of Changes in OPEB Liability | 80 |
| | <u>Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan</u> | |
| 7a | Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions | 81 |
| 7b | Notes to Required Supplementary Information | 82 |
| <u>Schedules</u> | <u>Supplemental Schedules</u> | |
| | <u>General Fund</u> | |
| 1 | Report of Tax Collector | 83 |
| | <u>Nonmajor Governmental Funds</u> | |
| 2 | Combining Balance Sheet | 84-89 |
| 3 | Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 90-95 |

TOWN OF EAST HAVEN, CONNECTICUT

For the Year Ended June 30, 2018

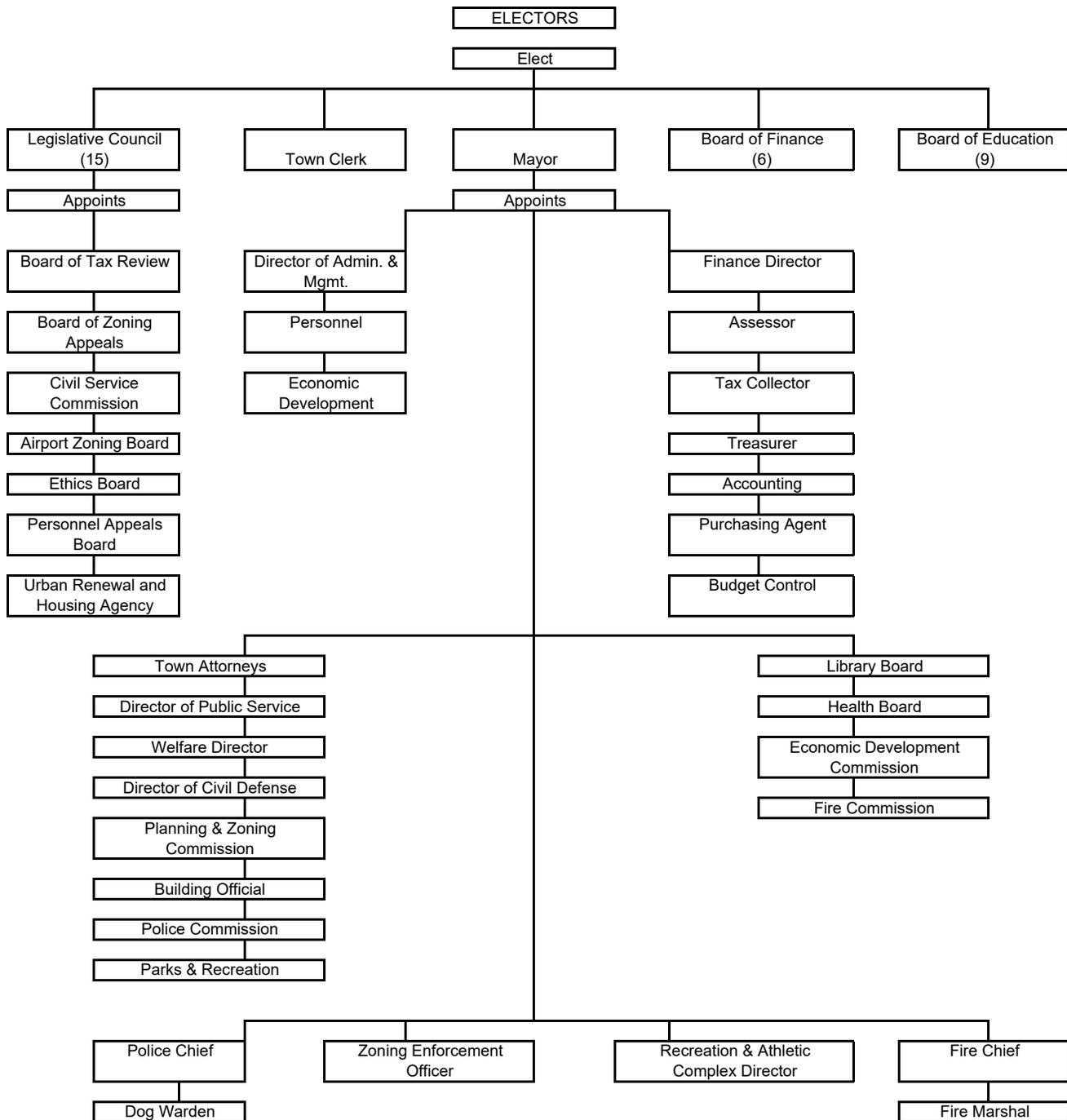
Table of Contents

| | | <u>Page</u> |
|------------------|----------------------------------------------------------------------------|-------------|
| <u>Schedules</u> | | |
| | <u>Internal Service Funds</u> | |
| 4 | Combining Statement of Fund Net Position | 96 |
| 5 | Combining Statement of Revenues, Expenses and Changes in Fund Net Position | 97 |
| 6 | Combining Statement of Cash Flows | 98 |
| | <u>Fiduciary Funds</u> | |
| 7 | Combining Statement of Fiduciary Net Position | 99 |
| 8 | Combining Statement of Changes in Fiduciary Net Position | 100 |
| <u>Tables</u> | <u>Trend Data</u> | |
| 1 | Net Position by Component | 101 |
| 2 | Changes in Net Position | 102 |
| 3 | Schedule of Debt Limitation | 103 |

Introductory Section

TOWN OF EAST HAVEN, CONNECTICUT

ORGANIZATIONAL CHART



Financial Section

Independent Auditors' Report

Board of Finance
Town of East Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haven, Connecticut ("Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

**Board of Finance
Town of East Haven, Connecticut**

Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haven, Connecticut, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the respective budgetary comparison for the general fund and the pension and other post-employment benefit plans schedules on pages 5 to 12 and pages 71 to 82, respectively, 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 considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, supplemental schedules and trend data section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Board of Finance
Town of East Haven, Connecticut**

Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
December 28, 2018



Management’s Discussion and Analysis For the Year Ended June 30, 2018

As management of the Town of East Haven, Connecticut (“Town”) we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

Financial Highlights

- On a government-wide basis, the Town’s net position increased by \$161,875 for the fiscal year. Deficit operations in the capital projects fund of \$2,376,221 were offset by positive operations in the general fund of \$379,575, other governmental funds of \$635,198, workers’ compensation fund of \$2,242,702, medical insurance fund of \$454,145, and self-insurance fund of \$210,662.
- The Town’s net position totals \$(48,433,038) at year end, an increase of \$161,875 from the prior year. Of this amount, unrestricted net position was a deficit balance of \$107,914,448.
- At year end, the unassigned fund balance for the general fund was \$5,816,569, an increase of \$379,575 from the prior year. The unassigned fund balance represents 6.7% of total budgetary expenditures as compared to 6.1% in the prior year.
- The Town’s total long-term debt decreased by \$2,135,000. The decrease was due to scheduled debt service payments.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of East Haven, Connecticut’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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change 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 earned but unused vacation leave).

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary 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 the Town's near-term financing requirements.

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

For governmental funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in Schedules 2 and 3 of this report.

Proprietary funds. The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses internal service funds to account for its self-insured workers' compensation, medical benefits and other claims. These activities have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the 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 for the budgetary comparison for the general fund and for the Town's pension plans as required by GASB statements 67 and 68 as well as the Town's other post-employment benefit plans as required by GASB statements 74 and 75. Required supplementary information can be found following the notes.

The combining statements and supplemental schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, liabilities and deferred inflows exceeded assets and deferred outflows by \$(48,433,038) at the close of the fiscal year.

Summary Statement of Net Position

| | <u>2018</u> | <u>2017</u> (As restated) |
|----------------------------------|------------------------|------------------------------|
| Current and other assets | \$ 30,602,869 | \$ 28,625,743 |
| Capital assets (net) | <u>83,160,901</u> | <u>83,233,170</u> |
| Total assets | <u>113,763,770</u> | <u>111,858,913</u> |
| Deferred outflows of resources | <u>15,759,935</u> | <u>10,314,209</u> |
| Current liabilities | 18,359,149 | 15,640,594 |
| Long-term liabilities | <u>136,170,336</u> | <u>153,633,532</u> |
| Total liabilities | <u>154,529,485</u> | <u>169,274,126</u> |
| Deferred inflows of resources | <u>23,427,258</u> | <u>1,493,909</u> |
| Net investment in capital assets | 56,763,497 | 54,831,555 |
| Restricted | 2,717,913 | 2,378,566 |
| Unrestricted | <u>(107,914,448)</u> | <u>(105,805,034)</u> |
| Total net position | <u>\$ (48,433,038)</u> | <u>\$ (48,594,913)</u> |

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, building improvements, machinery and equipment, vehicles 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used of \$2,717,913. The remaining balance of unrestricted net position is a deficit balance in the amount of \$107,914,448.

As previously noted, the statement of activities' purpose is presenting information in how the Town's net position changed during the most recent fiscal year. The Town's net position increased by \$161,875 for the fiscal year. This is a result of deficit operations in the capital projects fund of \$2,376,221 offset by positive operations in the general fund of \$379,575, other governmental funds of \$635,198, workers' compensation fund of \$2,242,702, medical insurance fund of \$454,145, and self-insurance fund of \$210,662.

Statement of Changes in Net Position

| | <u>2018</u> | <u>2017</u> (As restated) |
|-----------------------------------------------------------------|------------------------|------------------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 4,446,204 | \$ 3,320,110 |
| Operating grants and contributions | 35,024,622 | 34,998,871 |
| Capital grants and contributions | 918,061 | 57,206 |
| General revenues: | | |
| Property taxes | 63,012,604 | 64,860,332 |
| Grants and contributions not restricted to specific programs | 544,213 | 1,470,420 |
| Investment income (loss) | 407,992 | 373,983 |
| Other | 358,507 | 77,904 |
| Total revenues | <u>104,712,203</u> | <u>105,158,826</u> |
| Expenses: | | |
| General government | 5,902,565 | 4,420,083 |
| Public safety | 21,779,488 | 14,930,997 |
| Public works | 9,146,349 | 7,896,236 |
| Culture and recreation | 2,486,665 | 2,416,107 |
| Health and welfare | 1,516,168 | 1,428,002 |
| Education | 62,720,637 | 67,507,850 |
| Interest expense | 998,456 | 944,761 |
| Total expenses | <u>104,550,328</u> | <u>99,544,036</u> |
| Change in net position | 161,875 | 5,614,790 |
| Net Position - July 1 (as restated) | (48,594,913) | 27,553,566 |
| Restatement for OPEB liability | <u>-</u> | <u>(81,763,269)</u> |
| Net Position - June 30 | <u>\$ (48,433,038)</u> | <u>\$ (48,594,913)</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues

The significant changes in revenues for the fiscal year were as follows:

- Charges for services revenue increased by \$1,126,094 due to public safety of approximately \$189,000 for police special assignments revenue; public works of approximately \$593,000 due to an increase in the Small Cities Fund revenue of approximately \$570,000; and education of approximately \$286,000 due to an increase in the School Lunch Fund revenue of approximately \$279,000.
- Capital grants and contributions increased by \$860,855 substantially due to revenue received of \$655,000 in the Local Transportation Capital Improvements Program fund and \$161,822 in the LOCIP fund.
- Property taxes decreased by \$1,847,728 primarily due to the decrease in the general fund budget and therefore the tax levy. The decrease in the budget was related to a decrease in the debt service requirements.
- Grants and contributions not restricted to specific programs decreased by \$926,207 due to reduced funding from the State, including funding cuts for the municipal revenue sharing grant of approximately \$593,000 and the elderly circuit breaker grant of approximately \$312,000. The elderly circuit breaker program was eliminated by the State.

Expenses

The significant changes in expenses for the fiscal year were as follows:

- General government expense increased by \$1,482,482 due to an increase in the following: capital outlay expenditures of approximately \$144,000; MERS pension expense of approximately \$422,000; OPEB expense of approximately \$144,000; and internal service funds expense of approximately \$801,000.
- Public safety expense increased by \$6,848,491 due to an increase in the following: compensated absences of approximately \$462,000; MERS pension expense of approximately \$2,440,000; OPEB expense of approximately \$605,000; and internal service funds expense of approximately \$3,400,000.
- Public works expense increased by \$1,250,113 due to an increase in the Small Cities fund of approximately \$942,000, MERS pension expense increased by approximately \$314,000, OPEB expense increased approximately \$105,000, and internal service funds expense decreased by approximately \$186,000.
- Education expense decreased by \$4,787,213 due to substantially to a decrease in OPEB expense of approximately \$5,320,000 offset by an increase in MERS pension expense of approximately \$640,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 the Town's net resources available for spending at the end of the fiscal year.

The combined fund balance of governmental funds is \$4,563,085. This amount is comprised of the following components: (1) nonspendable reserve for endowments in the amount of \$100,000, (2) restricted amounts totaling \$2,617,913, (3) committed amounts of \$724,173, (4) assigned amounts totaling \$583,132 and (5) unassigned amounts of \$537,867.

General Fund

The general fund is the operating fund of the Town. The fund balance of the general fund increased by \$379,575 during the fiscal year. This increase is mainly due to the following factors:

- Intergovernmental revenues were \$1,711,115 less than budgeted due to decreases in state grants, most notably the pupil transportation (\$184,422), education cost sharing (\$947,923), municipal revenue sharing (\$854,319), and elderly circuit breaker (\$357,240).
- General government expenditures were under budget primarily due to the \$100,000 that the Town budgeted to increase fund balance and savings in the Personnel, Administration and Management department due to vacancies.
- Public services expenditures were under budget by \$304,710 primarily due to several positions that were vacant for various periods during the year and the loss of a grant for summer time help which reduced the number of part-time summer supervisors that were needed.
- Employee benefits expenditures were underspent by \$379,558 due to lower medical rates than anticipated as well as lower annual amortization charges from the MERS pension plan for Police and Fire employees. Additionally, the budget had included funds to cover any additional retirements that may have resulted from the finalization of contracts. Retirements were less than what was budgeted.
- General services expenditures were under budget by \$886,566 primarily due to the unexpended contingency account of \$346,370 and public works street and traffic light expenditures underspent of \$457,804 due to cost containment and monies available in other funds.

Capital Projects Fund

This fund's net change in fund balance was a decrease of \$2,376,221 for the fiscal year, resulting in a deficit fund balance at the end of the year of \$5,064,157. The decrease was a result of capital outlay of \$2,477,460 for various projects in the current year in advance of financing.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets and Debt Administration

The Town's investment in capital assets was \$83,160,901 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, building improvements, machinery and equipment, vehicles and infrastructure (roads, sidewalks and bridges).

The significant capital asset activities during the year were additions to construction in progress for various projects, which were primarily due to paving; machinery and equipment, primarily consisting of a public safety radio system; and vehicles, including the purchase of public safety vehicles and a new fire truck.

These additions were offset by depreciation expense of \$2,396,736, resulting in the net decrease in capital assets of \$72,269.

| | Capital Assets - Net | |
|--------------------------|----------------------|----------------------|
| | 2018 | 2017 |
| Land | \$ 3,497,216 | \$ 3,497,216 |
| Construction in progress | 2,690,612 | 1,891,759 |
| Land improvements | 2,207,508 | 2,328,368 |
| Buildings | 38,435,828 | 39,409,102 |
| Building improvements | 3,593,560 | 3,759,374 |
| Machinery and equipment | 2,976,124 | 2,779,930 |
| Vehicles | 2,472,397 | 1,772,060 |
| Infrastructure | 27,287,656 | 27,795,361 |
| Total | <u>\$ 83,160,901</u> | <u>\$ 83,233,170</u> |

Additional information on the Town's capital assets can be found in Note 3.D.

Long-Term Debt

The Town's long-term debt decreased by \$2,135,000. The decrease was a result of scheduled debt service payments.

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$24,390,000.

| | Outstanding Long-Term Debt | |
|-----------------------|----------------------------|----------------------|
| | 2018 | 2017 |
| General purpose bonds | \$ 19,654,099 | \$ 21,244,466 |
| School bonds | 4,735,901 | 5,280,534 |
| Total | <u>\$ 24,390,000</u> | <u>\$ 26,525,000</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Town maintains an "A+" rating from Standard and Poors for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 ¼ to 4 ½ times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town is \$446,042,373, 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 3.E.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the State is currently 4.4%, which is a decrease from a rate of 4.7% a year ago. This is slightly higher than the national average of 4.0%. The Town's unemployment rate was 4.9%.

Town officials considered many factors when setting the fiscal year 2019 budget. The Town decided that it was important to adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the budget, the Town recognized the need to continue its pattern of conservative budgeting while at the same time providing excellent services to its residents and taxpayers.

The 2019 general fund budget is \$91,643,487, an increase of 2.35% over the prior year. The Town continues to focus on managing the tax rate in an environment of changing levels of state funding.

Requests for Information

This financial report is designed to familiarize the Town's citizens, taxpayers and customers with the Town's finances and to demonstrate the Town's fiscal accountability for its operation. Questions concerning this report, or requests for additional financial information, should be directed to Director of Finance, Town of East Haven, 250 Main Street, East Haven, Connecticut 06512.

Basic Financial Statements

TOWN OF EAST HAVEN, CONNECTICUT

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

| <u>ASSETS</u> | |
|-------------------------------------------------------------|--------------------|
| Current assets: | |
| Cash..... | \$ 11,670,505 |
| Investments..... | 11,955,851 |
| Receivables: | |
| Property taxes..... | 1,293,450 |
| Intergovernmental..... | 557,388 |
| Other..... | 1,091,156 |
| Other..... | 147,319 |
| Total current assets..... | <u>26,715,669</u> |
| Noncurrent assets: | |
| Restricted assets: | |
| Temporarily restricted: | |
| Cash..... | 30,932 |
| Investments..... | 1,639,082 |
| Permanently restricted: | |
| Investments..... | 100,000 |
| Total restricted assets..... | <u>1,770,014</u> |
| Receivables (net): | |
| Property taxes..... | <u>2,117,186</u> |
| Capital assets (net of accumulated depreciation): | |
| Land..... | 3,497,216 |
| Construction in progress..... | 2,690,612 |
| Land improvements..... | 2,207,508 |
| Buildings..... | 38,435,828 |
| Building improvements..... | 3,593,560 |
| Machinery and equipment..... | 2,976,124 |
| Vehicles..... | 2,472,397 |
| Infrastructure..... | 27,287,656 |
| Total capital assets (net of accumulated depreciation)..... | <u>83,160,901</u> |
| Total noncurrent assets..... | <u>87,048,101</u> |
| TOTAL ASSETS..... | <u>113,763,770</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Pension related..... | 6,493,246 |
| OPEB related..... | 9,266,689 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>15,759,935</u> |

(Continued)

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUT

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

| <u>LIABILITIES</u> | |
|------------------------------------------|------------------------|
| Current liabilities: | |
| Accounts payable..... | \$ 2,287,019 |
| Accrued payroll..... | 5,087,509 |
| Accrued interest payable..... | 495,294 |
| Unearned revenue..... | 1,191,817 |
| Other liabilities..... | 190,970 |
| Bonds and notes payable..... | 2,160,000 |
| Capital leases..... | 502,517 |
| Compensated absences..... | 1,426,073 |
| Risk management..... | 5,017,950 |
| | <u>18,359,149</u> |
| Total current liabilities..... | |
| | <u>18,359,149</u> |
| Noncurrent liabilities: | |
| Bonds and related liabilities..... | 22,946,066 |
| Capital leases..... | 253,584 |
| Compensated absences..... | 5,704,294 |
| Net pension liability..... | 3,326,427 |
| OPEB liability..... | 96,536,295 |
| Risk management..... | 7,403,670 |
| | <u>136,170,336</u> |
| Total noncurrent liabilities..... | |
| | <u>136,170,336</u> |
| TOTAL LIABILITIES..... | <u>154,529,485</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Advance property tax collections..... | 1,759,410 |
| Deferred charge on refunding..... | 535,237 |
| Pension related..... | 483,123 |
| OPEB related..... | 20,649,488 |
| | <u>23,427,258</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>23,427,258</u> |
| <u>NET POSITION</u> | |
| Net investment in capital assets..... | 56,763,497 |
| Restricted for: | |
| Endowments: | |
| Nonexpendable..... | 100,000 |
| Expendable..... | 1,670,014 |
| Health and welfare..... | 161,817 |
| Capital replacement..... | 364,232 |
| Public safety..... | 34,238 |
| Education..... | 387,612 |
| Unrestricted..... | (107,914,448) |
| | <u>(107,914,448)</u> |
| TOTAL NET POSITION..... | <u>\$ (48,433,038)</u> |

(Concluded)

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUT

STATEMENT OF ACTIVITIES
 GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION |
|-------------------------------------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|-----------------------------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | |
| General government..... | \$ 5,902,565 | \$ 470,579 | \$ 55,124 | \$ | \$ (5,376,862) |
| Public safety..... | 21,779,488 | 770,094 | 59,861 | | (20,949,533) |
| Public works..... | 9,146,349 | 893,607 | 444,235 | 918,061 | (6,890,446) |
| Culture and recreation..... | 2,486,665 | 455,050 | 86,788 | | (1,944,827) |
| Health and welfare..... | 1,516,168 | 398,448 | 236,490 | | (881,230) |
| Education..... | 62,720,637 | 1,458,426 | 34,142,124 | | (27,120,087) |
| Interest expense..... | 998,456 | | | | (998,456) |
| TOTAL..... | \$ 104,550,328 | \$ 4,446,204 | \$ 35,024,622 | \$ 918,061 | (64,161,441) |
| GENERAL REVENUES: | | | | | |
| Property taxes..... | | | | | 63,012,604 |
| Grants and contributions not restricted to specific programs..... | | | | | 544,213 |
| Investment income..... | | | | | 407,992 |
| Other..... | | | | | 358,507 |
| TOTAL GENERAL REVENUES | | | | | 64,323,316 |
| CHANGE IN NET POSITION | | | | | 161,875 |
| NET POSITION, JULY 1, 2017 (AS RESTATED) | | | | | (48,594,913) |
| NET POSITION, JUNE 30, 2018 | | | | | \$ (48,433,038) |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | GENERAL FUND | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|------------------------------------------------------------------------------------|----------------------|-----------------------------|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash..... | \$ 7,334,256 | \$ | \$ 3,432,501 | \$ 10,766,757 |
| Investments..... | 10,974,932 | | 1,740,111 | 12,715,043 |
| Receivables (net): | | | | |
| Property taxes..... | 3,144,641 | | | 3,144,641 |
| Intergovernmental | | | 557,388 | 557,388 |
| Other..... | 578,549 | | 747 | 579,296 |
| Due from other funds..... | 6,288,342 | | 697,184 | 6,985,526 |
| Other..... | | | 39,700 | 39,700 |
| TOTAL ASSETS..... | \$ 28,320,720 | \$ - | \$ 6,467,631 | \$ 34,788,351 |
| <u>LIABILITIES</u> | | | | |
| Accounts payable..... | \$ 1,604,680 | \$ 122,507 | \$ 559,832 | \$ 2,287,019 |
| Accrued payroll..... | 4,715,289 | | 372,220 | 5,087,509 |
| Due to other funds..... | 11,284,234 | 4,941,650 | 533,089 | 16,758,973 |
| Unearned revenue..... | | | 1,191,817 | 1,191,817 |
| Other liabilities..... | 190,970 | | | 190,970 |
| TOTAL LIABILITIES..... | 17,795,173 | 5,064,157 | 2,656,958 | 25,516,288 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unavailable revenue - property taxes..... | 2,949,568 | | | 2,949,568 |
| Advance property tax collections..... | 1,759,410 | | | 1,759,410 |
| TOTAL DEFERRED INFLOWS OF RESOURCES.. | 4,708,978 | - | - | 4,708,978 |
| <u>FUND BALANCES</u> | | | | |
| Nonspendable..... | | | 100,000 | 100,000 |
| Restricted..... | | | 2,617,913 | 2,617,913 |
| Committed..... | | | 724,173 | 724,173 |
| Assigned..... | | | 583,132 | 583,132 |
| Unassigned..... | 5,816,569 | (5,064,157) | (214,545) | 537,867 |
| TOTAL FUND BALANCES..... | 5,816,569 | (5,064,157) | 3,810,673 | 4,563,085 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ 28,320,720 | \$ - | \$ 6,467,631 | \$ 34,788,351 |

(Continued)

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUT

RECONCILIATION OF FUND BALANCES TO NET POSITION
JUNE 30, 2018

AMOUNTS REPORTED IN THE STATEMENT OF NET POSITION (EXHIBIT A)

ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET DUE TO:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| TOTAL FUND BALANCES (EXHIBIT C, PAGE 1)..... | \$ 4,563,085 |
| CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS: | |
| Beginning net capital assets..... | 83,233,170 |
| Capital asset additions (net of construction in progress)..... | 2,324,467 |
| Depreciation expense..... | (2,396,736) |
| OTHER LONG-TERM ASSETS AND DEFERRED OUTFLOWS ARE NOT AVAILABLE RESOURCES AND THEREFORE NOT REPORTED IN THE FUNDS: | |
| Property tax interest and lien accrual..... | 1,850,995 |
| Allowance for doubtful accounts..... | (1,585,000) |
| Deferred outflows related to pension..... | 6,493,246 |
| Deferred outflows related to OPEB..... | 9,266,689 |
| OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE UNAVAILABLE IN THE FUNDS: | |
| Property tax receivable - accrual basis change..... | 2,949,568 |
| INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COSTS OF VARIOUS SELF-INSURED RISK PREMIUMS TO INDIVIDUAL DEPARTMENTS: | |
| The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position..... | (114,124) |
| SOME LIABILITIES AND DEFERRED INFLOWS, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS: | |
| Bonds and notes payable..... | (24,390,000) |
| Premiums..... | (716,066) |
| Capital leases..... | (756,101) |
| Compensated absences..... | (7,130,367) |
| Net pension liability..... | (3,326,427) |
| OPEB liability..... | (96,536,295) |
| Deferred charge on refunding..... | (535,237) |
| Deferred inflows related to pension..... | (483,123) |
| Deferred inflows related to OPEB..... | (20,649,488) |
| Accrued interest payable..... | (495,294) |
| NET POSITION (EXHIBIT A)..... | <u>\$ (48,433,038)</u> |

(Concluded)

The notes to the financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | GENERAL FUND | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|-------------------------------------------------------------------|---------------------|-----------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | |
| Property taxes..... | \$ 63,509,176 | \$ | \$ | \$ 63,509,176 |
| Charges for services..... | 2,093,243 | | 2,352,961 | 4,446,204 |
| Intergovernmental..... | 29,983,916 | 101,239 | 7,397,063 | 37,482,218 |
| Investment income..... | 247,238 | | 63,837 | 311,075 |
| Change in fair value of investments..... | | | 93,681 | 93,681 |
| Contributions..... | | | 9,168 | 9,168 |
| Other..... | 742,302 | | | 742,302 |
| TOTAL REVENUES..... | 96,575,875 | 101,239 | 9,916,710 | 106,593,824 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 2,679,681 | | 34,988 | 2,714,669 |
| Public safety..... | 12,637,790 | | 89,929 | 12,727,719 |
| Public works..... | 5,070,197 | | 1,514,735 | 6,584,932 |
| Culture and recreation..... | 1,792,413 | | 238,248 | 2,030,661 |
| Health and welfare..... | 1,016,003 | | 89,614 | 1,105,617 |
| Employee benefits and insurance..... | 12,007,025 | | | 12,007,025 |
| Education..... | 57,125,918 | 760,622 | 6,951,152 | 64,837,692 |
| General services..... | 982,304 | | | 982,304 |
| Debt service..... | 3,207,801 | | | 3,207,801 |
| Capital outlay..... | | 2,477,460 | 337,846 | 2,815,306 |
| TOTAL EXPENDITURES..... | 96,519,132 | 3,238,082 | 9,256,512 | 109,013,726 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 56,743 | (3,136,843) | 660,198 | (2,419,902) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Town owned property..... | 297,832 | | | 297,832 |
| Capital lease..... | | 760,622 | | 760,622 |
| Transfers in..... | 25,000 | | 1,000 | 26,000 |
| Transfers out..... | | | (26,000) | (26,000) |
| NET OTHER FINANCING SOURCES (USES)..... | 322,832 | 760,622 | (25,000) | 1,058,454 |
| NET CHANGE IN FUND BALANCES..... | 379,575 | (2,376,221) | 635,198 | (1,361,448) |
| FUND BALANCES, JULY 1, 2017..... | 5,436,994 | (2,687,936) | 3,175,475 | 5,924,533 |
| FUND BALANCES, JUNE 30, 2018..... | \$ 5,816,569 | \$ (5,064,157) | \$ 3,810,673 | \$ 4,563,085 |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

AMOUNTS REPORTED IN THE STATEMENT OF ACTIVITIES (EXHIBIT B) ARE DIFFERENT DUE TO:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (EXHIBIT D)..... | \$ (1,361,448) |
| 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 expense. | |
| Capital outlay..... | 2,324,467 |
| Depreciation expense..... | <u>(2,396,736)</u> |
| Total | <u>(72,269)</u> |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: | |
| School building grant receipts..... | (1,004,490) |
| Change in property tax receivable - accrual basis change..... | (344,150) |
| Change in property tax interest and lien revenue..... | <u>(152,422)</u> |
| Total | <u>(1,501,062)</u> |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows: | |
| Debt issued or incurred: | |
| Capital leases..... | (760,622) |
| Principal repayments: | |
| General obligation bonds..... | 2,135,000 |
| Capital leases..... | <u>505,923</u> |
| Total | <u>1,880,301</u> |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | |
| Deferred charge on refunding..... | 61,212 |
| Premiums..... | 62,698 |
| Compensated absences..... | (208,058) |
| Pension expense..... | (1,348,752) |
| OPEB expense..... | (208,691) |
| Accrued interest payable..... | <u>(49,565)</u> |
| Total | <u>(1,691,156)</u> |
| Internal Service Funds are used by management to charge costs of various self-insured risk premiums to individual departments (change in net position)..... | <u>2,907,509</u> |
| CHANGE IN NET POSITION (EXHIBIT B) | <u>\$ 161,875</u> |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUTSTATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018

| <u>ASSETS</u> | |
|--------------------------------|---------------------|
| Current assets: | |
| Cash..... | \$ 934,680 |
| Investments..... | 979,890 |
| Accounts receivable..... | 511,860 |
| Due from other funds..... | 10,587,050 |
| Other asset..... | <u>107,619</u> |
| TOTAL ASSETS..... | <u>13,121,099</u> |
| <u>LIABILITIES</u> | |
| Current liabilities: | |
| Risk management..... | 5,017,950 |
| Due to other funds..... | <u>813,603</u> |
| Total current liabilities..... | 5,831,553 |
| Noncurrent liability: | |
| Risk management..... | <u>7,403,670</u> |
| TOTAL LIABILITIES..... | <u>13,235,223</u> |
| <u>NET POSITION</u> | |
| Unrestricted..... | <u>\$ (114,124)</u> |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|-----------------------------------------|----------------------|
| OPERATING REVENUES: | |
| Charges for services..... | <u>\$ 17,315,764</u> |
| OPERATING EXPENSES: | |
| Claims..... | 11,609,434 |
| Administration..... | <u>2,802,057</u> |
| TOTAL OPERATING EXPENSES..... | <u>14,411,491</u> |
| OPERATING INCOME (LOSS)..... | 2,904,273 |
| NONOPERATING REVENUES: | |
| Investment income..... | <u>3,236</u> |
| CHANGE IN NET POSITION..... | 2,907,509 |
| TOTAL NET POSITION - JULY 1, 2017..... | <u>(3,021,633)</u> |
| TOTAL NET POSITION - JUNE 30, 2018..... | <u>\$ (114,124)</u> |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUTSTATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|-------------------------------------------------------------------------------------------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Premiums received..... | \$ 14,625,811 |
| Payments to vendors..... | (2,802,057) |
| Payments for claims..... | <u>(12,943,846)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | (1,120,092) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment income..... | <u>3,236</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..... | (1,116,856) |
| CASH AND CASH EQUIVALENTS - JULY 1, 2017..... | <u>3,031,426</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2018..... | <u>\$ 1,914,570</u> |
| RECONCILIATION TO STATEMENT OF FUND NET POSITION CASH: | |
| Cash and cash equivalents per above..... | \$ 1,914,570 |
| Cash and cash equivalents reported as investments..... | <u>(979,890)</u> |
| STATEMENT OF FUND NET POSITION CASH..... | <u>\$ 934,680</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | |
| Operating income (loss)..... | \$ 2,904,273 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| (Increase) decrease in: | |
| Accounts receivable..... | (194,782) |
| Due from other funds..... | (2,340,907) |
| Other asset..... | 4,706 |
| Increase (decrease) in: | |
| Risk management..... | <u>(1,493,382)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | <u>\$ (1,120,092)</u> |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | PRIVATE- PURPOSE TRUST FUNDS | CUSTODIAL FUNDS |
|---------------------------------------------------|------------------------------------|--------------------|
| <hr/> | | |
| <u>ASSETS</u> | | |
| Cash..... | \$ 53,562 | \$ 83,665 |
| Investments..... | 65,912 | 27,206 |
| | <hr/> | <hr/> |
| TOTAL ASSETS..... | 119,474 | 110,871 |
| <u>NET POSITION</u> | | |
| Restricted for individuals and organizations..... | \$ 119,474 | \$ 110,871 |
| | <hr/> | <hr/> |

The notes to financial statements are an integral part of this statement.

TOWN OF EAST HAVEN, CONNECTICUTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | PRIVATE- PURPOSE TRUST FUNDS | CUSTODIAL FUNDS |
|-----------------------------------------------------|------------------------------------|--------------------|
| ADDITIONS: | | |
| Contributions..... | \$ | \$ 189,993 |
| Interest and dividends..... | 38 | 20 |
| TOTAL ADDITIONS..... | 38 | 190,013 |
| DEDUCTIONS: | | |
| Activities..... | | 206,043 |
| Scholarships awarded..... | 2,923 | |
| TOTAL DEDUCTIONS..... | 2,923 | 206,043 |
| CHANGE IN NET POSITION..... | (2,885) | (16,030) |
| TOTAL NET POSITION, JULY 1, 2017 (AS RESTATED)..... | 122,359 | 126,901 |
| TOTAL NET POSITION, JUNE 30, 2018..... | \$ 119,474 | \$ 110,871 |

The notes to financial statements are an integral part of this statement.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

HISTORY AND ORGANIZATION

The Town of East Haven, Connecticut (the "Town") was incorporated in May 1785. The Town covers 89 square miles and is located 77 miles east of New York City. The Town operates under a Mayor-Council form of government and the Town Charter as amended on November 7, 1978. The Town provides a full range of services as authorized by its charter including public safety (police and fire), public works, sanitation, health and social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *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 is 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, proprietary 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.

B. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, reimbursement type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the Town considers property taxes to be available if collected within 60 days of the current fiscal year end and reimbursement grants to be available if they are collected within one year of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The *Capital Projects Fund* is used to account for resources to be used for capital expenditures.

Additionally, the Town reports the following fund types:

The *Internal Service Funds* account for risk activities for insurance benefits as allowed by GASB Statement No. 10.

Private-Purpose Trust Funds are used to account for resources legally held in trust for the Shinder, Patsy Dilungo and Scholarship Funds' scholarships. All resources of the fund, including any earnings on invested resources, may not be used to support the Town's activities. There is no requirement that any portion of these resources be preserved as capital.

The *Custodial Funds* account for monies held on behalf of students.

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

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service fund are charges to the Town funds for medical insurance benefits, workers' compensation claims, judgments and claims and property insurance deductibles. Operating expenses for the internal service fund include the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town's OPEB plans, the Connecticut Municipal Employees' Retirement System ("MERS"), the Connecticut State Teachers' Retirement System ("TRS"), and the State Teachers' Retirement Board Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the Town's OPEB plans, MERS, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**1. Deposits and Investments**

Deposits - For cash flow purposes the Town considers cash and cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - Eligible investments are governed by State of Connecticut Statutes which, in general, allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)****1. Deposits and Investments (Continued)**

Investments for the Town are reported at fair value. The State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27a - 3-27c. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

2. Receivables and Payables**a. Interfunds**

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 non-current portion of interfund loans).

b. Property Taxes and Other Receivables

In the government-wide financial statements, property tax and related interest and lien fee receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 19% to 54% of outstanding receivable balances and are calculated based upon prior collection history.

In the fund financial statements, all property taxes receivable, which have not been collected within 60 days as of June 30, have been recorded as deferred inflow of resources, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60-day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

3. Restricted Assets

The restricted assets for the Town are restricted for endowment purposes. The Town has several bequests that restrict expenditures to investment income and only for the donor-designated purpose.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,150 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 10-75 |
| Building improvements | 50 |
| Land improvements | 25 |
| Infrastructure: | |
| Bridges | 50 |
| Roads | 80 |
| Vehicles | 10-20 |
| Machinery and equipment | 5-40 |

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions and OPEB for differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings of the plan investments. The deferred outflow related to the differences between expected and actual experience and the change in assumptions will be amortized over the average remaining service life of all plan members. The deferred outflow for the net difference between projected and actual earnings of the plan investments will be amortized over a five-year period. The deferred outflows related to contributions made after the measurement date are recognized in the subsequent fiscal year. The Town also reports a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)****5. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow related to pensions and OPEB for the differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings of the plan investments. The deferred inflow related to the differences between expected and actual experience and the change in assumptions will be amortized over the average remaining service life of all plan members. The deferred inflow for the net difference between projected and actual earnings of the plan investments will be amortized over a five-year period.

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), sewer assessment and user charges, and certain other charges for services and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

7. Long-Term Obligations

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

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

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)

8. Compensated Absences

Employees are paid by a prescribed formula for absence due to vacation and sickness based upon the various union contracts and the Town's personnel policies. The eligibility for vacation pay, and in some instances sick pay, does vest and can be paid upon death, retirement or termination, up to certain limits. Expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts are only reported in governmental funds if they are due and payable to employees who have resigned or retired before or at fiscal year-end.

9. Fund Equity and Net Position

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes and unspent bond proceeds are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Town, which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)****9. Fund Equity and Net Position (Continued)**Committed

This category presents amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through resolutions approved by Town Council.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by an action by the Town Council or by a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless Town Council has provided otherwise in its commitment or assignment actions.

10. Use of Estimates

The preparation of the 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 of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgets and Budgetary Accounting**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- Prior to March 4, the Mayor submits to the Board of Finance a proposed operating budget for the year commencing the following July 1. The Board of Finance returns the budget to the Mayor with its recommendations by March 23. On or before March 31, the Mayor submits the budget to the Town Council, which calls a public hearing. By April 28, the Town Council votes to adopt the budget. The budget is adopted on a basis consistent with generally accepted accounting principles.
- The Director of Finance may make transfers within a department of amounts not to exceed \$2,500 in any one account in any one year. The Board of Finance is authorized to transfer budgeted amounts within and between departments for amounts up to \$25,000. The Town Council, upon recommendation of the Board of Finance, approves transfers in excess of \$25,000 but not to exceed \$50,000. Transfers in excess of \$50,000 may be authorized only by ordinance. Additional appropriations may be made by ordinance of the Town Council. There were no additional appropriations during the year.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- Budgeted amounts shown are as originally adopted, or as amended by the Board of Finance and Town Council during the course of the year.
- The Board of Education is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Town Council approval.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**B. Donor-Restricted Endowments**

The Town has received certain endowments for the Hagaman Memorial Library. The amounts are reflected in net position as restricted for endowments. Investment income (including appreciation) is approved for expenditure by the Library Board. The amount of appreciation (depreciation) included in restricted fund balance for the Hagaman Memorial Library was \$206,808.

C. Excess of Expenditures Over Appropriations

During the year, the following general fund departments had expenditures that exceeded appropriations:

| | |
|-------|-----------|
| Legal | \$ 19,999 |
|-------|-----------|

III. DETAILED NOTES**A. Cash and Investments****Deposits - Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. \$15,453,502 of the Town's bank balance of \$16,577,913 including certificates of deposits and money market accounts, was exposed to custodial credit risk as follows:

| | |
|-----------------------------------------------------------------------------------------------|---------------------|
| Uninsured and uncollateralized | \$11,449,211 |
| Uninsured and collateral held by the pledging bank's trust department, not in the Town's name | <u>4,004,291</u> |
| Total amount subject to custodial credit risk | <u>\$15,453,502</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**A. Cash and Investments (Continued)**

Financial instruments that potentially subject the Town to significant concentrations of custodial credit risk consist primarily of cash. From time to time, the Town's cash account balances exceeded the Federal Deposit Insurance Corporation limit. The Town reduces its custodial credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

The Town's investments (including restricted investments) consisted of the following:

| Type of Investment | Investment Maturities (in Years) | | | |
|----------------------------|----------------------------------|--------------------|----------------------|-------------------|
| | Fair Value | N/A | Less Than 1 | 1-5 Years |
| <u>Mutual funds:</u> | | | | |
| Money market | \$ 18,193 | \$ - | \$ 18,193 | \$ - |
| Domestic equity | 648,709 | 648,709 | - | - |
| International equity | 276,254 | 276,254 | - | - |
| Domestic bond | 89,390 | - | - | 89,390 |
| International bond | 11,566 | - | - | 11,566 |
| Hedge funds | 180,243 | 180,243 | - | - |
| Commodities | 66,583 | 66,583 | - | - |
| Certificates of deposit | 93,118 | - | 93,118 | - |
| Bank money market accounts | 3,604,785 | - | 3,604,785 | - |
| Pooled fixed income | 8,798,181 | - | 8,798,181 | - |
| Common stock | 1,029 | 1,029 | - | - |
| Total | \$13,788,051 | \$1,172,818 | \$ 12,514,277 | \$ 100,956 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**A. Cash and Investments (Continued)**Fair value of investments

The Town measures and records investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted prices; and
- Level 3: Unobservable inputs

The Town had the following recurring fair value measurements:

| Investments at Fair Value Level | Amount | Quoted Market Prices in Active Markets Level 1 |
|---------------------------------------|---------------|---------------------------------------------------------|
| Mutual funds/exchange traded funds | | |
| Money market | \$ 18,193 | \$ 18,193 |
| Domestic equity | 648,709 | 648,709 |
| International equity | 276,254 | 276,254 |
| Domestic bond | 89,390 | 89,390 |
| International bond | 11,566 | 11,566 |
| Hedge funds | 180,243 | 180,243 |
| Commodities | 66,583 | 66,583 |
| Common stock | 1,029 | 1,029 |
| Total investments by fair value level | 1,291,967 | \$ 1,291,967 |
| <u>Other Investments</u> | | |
| Certificates of deposit | 93,118 | |
| Bank money market accounts | 3,604,785 | |
| Pooled fixed income | 8,798,181 | |
| Total other investments | 12,496,084 | |
| Total investments | \$ 13,788,051 | |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**A. Cash and Investments (Continued)**

The pooled fixed income investment was invested in the Short Term Investment Fund ("STIF"). STIF is an investment pool managed by the State of Connecticut Office of the State Treasurer.

Interest rate risk - The Town does not have a formal investment policy that limits 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 limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The Town's investments subject to credit risk have average ratings by Standard & Poor's as follows:

| Average Rating | Money Market Mutual Funds | Domestic Bond Mutual Funds | International Bond Mutual Funds | Pooled Fixed Income |
|----------------|------------------------------------|-------------------------------------|------------------------------------------|---------------------------|
| AAA | \$ 18,193 | \$ - | \$ - | \$8,798,181 |
| AA | - | 89,390 | 578 | - |
| BBB | - | - | 925 | - |
| BBB | - | - | 5,552 | - |
| B | - | - | 3,701 | - |
| CCC | - | - | 810 | - |
| Total | \$ 18,193 | \$ 89,390 | \$ 11,566 | \$8,798,181 |

Custodial credit risk (investments) - The Town has no formal policy regarding custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town does not have any investments subject to custodial credit risk.

The investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

Foreign currency risk - The Town does not have a formal policy with respect to foreign currency risk. Foreign currency risk is the risk that the value of the investment may be affected by changes in the rate of exchange.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**B. Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below:

| | Property Taxes | | |
|----------------------------------|----------------|-------------------------|--------------|
| | Taxes | Interest & Lien Fees | Total |
| Current portion | \$ 1,026,096 | \$ 267,354 | \$ 1,293,450 |
| Long-term portion | \$ 2,118,545 | \$ 1,583,641 | \$ 3,702,186 |
| Less allowance for uncollectible | (585,000) | (1,000,000) | (1,585,000) |
| Net long-term portion | \$ 1,533,545 | \$ 583,641 | \$ 2,117,186 |
| Total receivable | \$ 2,559,641 | \$ 850,995 | \$ 3,410,636 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**C. Interfund Accounts****1. Interfund Payables and Receivables**

The outstanding balances between funds result mainly 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. The amounts due from and due to other funds were as follows:

| | Corresponding Fund | Due From | Due To |
|-----------------------------------|-----------------------|------------------|-------------------|
| Major Funds: | | | |
| General Fund: | | | |
| Capital projects | N/A | \$ 4,941,650 | \$ - |
| Public safety | N/A | - | 26,154 |
| Historical documents preservation | N/A | - | 23,990 |
| Economic development | N/A | - | 980 |
| Town pool repair | N/A | - | 2,414 |
| Open space | N/A | - | 45,000 |
| Marine enforcement grants | N/A | - | 6,364 |
| Public works state aid | N/A | - | 183,797 |
| East Haven kennel club | N/A | - | 44,674 |
| Dog licenses | N/A | - | 10,878 |
| Teen center | N/A | - | 5,853 |
| Health and welfare | N/A | - | 215,886 |
| Emergency management fund | N/A | - | 195 |
| Daycare | N/A | 24,799 | - |
| High school rental | N/A | 810 | - |
| School lunch | N/A | 51,331 | - |
| Education grants | N/A | 280,125 | - |
| LOCIP | N/A | 176,024 | - |
| LOCIP town clerk fees | N/A | - | 130,999 |
| Self-insurance | N/A | 813,603 | - |
| Workers' compensation | N/A | - | 4,285,110 |
| Medical insurance | N/A | - | 6,301,940 |
| | | <u>6,288,342</u> | <u>11,284,234</u> |
| Total General Fund | | <u>6,288,342</u> | <u>11,284,234</u> |
| Capital Projects | General Fund | <u>-</u> | <u>4,941,650</u> |
| Total Major Funds | | <u>6,288,342</u> | <u>16,225,884</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**C. Interfund Accounts (Continued)****1. Interfund Payables and Receivables (Continued)**

| | Corresponding Fund | Due From | Due To |
|-----------------------------------|-----------------------|----------------------|----------------------|
| Other Governmental Funds: | | | |
| Special Revenue Funds: | | | |
| Public safety | General fund | 26,154 | - |
| Historical documents preservation | General fund | 23,990 | - |
| Economic development | General fund | 980 | - |
| Town pool repair | General fund | 2,414 | - |
| Open space | General fund | 45,000 | - |
| Marine enforcement grants | General fund | 6,364 | - |
| Public works state aid | General fund | 183,797 | - |
| East Haven kennel club | General fund | 44,674 | - |
| Dog licenses | General fund | 10,878 | - |
| Teen center | General fund | 5,853 | - |
| Health and welfare | General fund | 215,886 | - |
| Emergency management fund | General fund | 195 | - |
| Daycare | General fund | - | 24,799 |
| High school rental | General fund | - | 810 |
| School lunch | General fund | - | 51,331 |
| Education grants | General fund | - | 280,125 |
| Capital Projects Fund: | | | |
| LOCIP | General fund | - | 176,024 |
| LOCIP town clerk fees | General fund | 130,999 | - |
| Total Other Governmental Funds | | <u>697,184</u> | <u>533,089</u> |
| Internal Service Funds: | | | |
| Self-insurance | General fund | - | 813,603 |
| Workers' compensation | General fund | 4,285,110 | - |
| Medical insurance | General fund | 6,301,940 | - |
| Total Internal Service Funds | | <u>10,587,050</u> | <u>813,603</u> |
| Grand Total | | <u>\$ 17,572,576</u> | <u>\$ 17,572,576</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)

C. Interfund Accounts (Continued)

2. Interfund Transfers

Transfers are used to account for the financing between funds with related programs and activities. A summary of interfund transfers for the fiscal year are as follows:

| | <u>Corresponding Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------|-------------------------------|---------------------|----------------------|
| Major Funds: | | | |
| General Fund: | | | |
| Health and welfare | N/A | \$ 25,000 | \$ - |
| Nonmajor Funds: | | | |
| Special Revenue Funds: | | | |
| East Haven kennel club | Dog licenses | 1,000 | - |
| Dog licenses | East Haven kennel club | - | 1,000 |
| Health and welfare | General Fund | - | 25,000 |
| Total Nonmajor Funds | | <u>1,000</u> | <u>26,000</u> |
| Grand Total | | <u>\$ 26,000</u> | <u>\$ 26,000</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**D. Capital Assets**

Capital asset activity for the fiscal year was as follows:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|-----------------------------------------------|-------------------------|-------------|-----------|--------------------------|
| <u>Capital assets, not being depreciated:</u> | | | | |
| Land | \$ 3,497,216 | \$ - | \$ - | \$ 3,497,216 |
| Construction in progress | 1,891,759 | 798,853 | - | 2,690,612 |
| Total capital assets, not being depreciated | 5,388,975 | 798,853 | - | 6,187,828 |
| <u>Capital Assets, being depreciated:</u> | | | | |
| Land improvements | 4,830,658 | 77,010 | - | 4,907,668 |
| Buildings | 62,712,818 | - | - | 62,712,818 |
| Building improvements | 13,357,266 | - | - | 13,357,266 |
| Machinery and equipment | 7,382,982 | 500,504 | - | 7,883,486 |
| Vehicles | 5,739,899 | 948,100 | - | 6,687,999 |
| Infrastructure | 40,282,250 | - | - | 40,282,250 |
| Total capital assets, being depreciated | 134,305,873 | 1,525,614 | - | 135,831,487 |
| Total capital assets | 139,694,848 | 2,324,467 | - | 142,019,315 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements | 2,502,290 | 197,870 | - | 2,700,160 |
| Buildings | 23,303,716 | 973,274 | - | 24,276,990 |
| Building improvements | 9,597,892 | 165,814 | - | 9,763,706 |
| Machinery and equipment | 4,603,052 | 304,310 | - | 4,907,362 |
| Vehicles | 3,967,839 | 247,763 | - | 4,215,602 |
| Infrastructure | 12,486,889 | 507,705 | - | 12,994,594 |
| Total accumulated depreciation | 56,461,678 | 2,396,736 | - | 58,858,414 |
| Total capital assets, being depreciated, net | 77,844,195 | (871,122) | - | 76,973,073 |
| Capital assets, net | \$ 83,233,170 | \$ (72,269) | \$ - | \$ 83,160,901 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)

D. Capital Assets (Continued)

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

| | |
|----------------------------|--------------------|
| General government | \$ 50,124 |
| Public safety | 342,571 |
| Public works | 505,747 |
| Culture and recreation | 71,742 |
| Health and welfare | 14,491 |
| Education | <u>1,412,061</u> |
| Total depreciation expense | <u>\$2,396,736</u> |

Town of East Haven, ConnecticutNotes to Financial Statements
For the Year Ended June 30, 2018**III. DETAILED NOTES (CONTINUED)****E. Changes in Long-Term Obligations****1. Summary of Changes**

The following is a summary of changes in long-term obligations during the fiscal year:

| Description | Original Amount | Date of Issue | Date of Maturity | Interest Rate | Balance July 1, 2017 (As Restated) | Additions | Deductions/ Refunded | Balance June 30, 2018 | Current Portion |
|-------------------------------------------|-----------------|---------------|------------------|---------------|---------------------------------------|---------------|-------------------------|-----------------------|-----------------|
| <u>Bonds/Notes:</u> | | | | | | | | | |
| General purpose: | | | | | | | | | |
| Improvement Bond | \$6,941,000 | 7/22/2009 | 2028 | 5.00-6.00% | \$ 2,058,202 | \$ - | \$ 411,251 | \$ 1,646,951 | \$ 411,251 |
| Refunding Bond | 3,880,000 | 7/28/2010 | 2030 | 3.00% | 1,750,000 | - | 355,000 | 1,395,000 | 355,000 |
| Improvement Bond | 3,655,000 | 7/28/2010 | 2021 | 3.00% | 2,421,304 | - | 205,616 | 2,215,688 | 205,616 |
| Improvement Bond | 1,275,000 | 7/26/2011 | 2026 | 2.00% | 855,000 | - | 105,000 | 750,000 | 105,000 |
| Improvement Bond | 3,150,000 | 7/17/2013 | 2026 | 2.00-4.00% | 2,574,710 | - | 213,080 | 2,361,630 | 213,080 |
| Refunding Bond | 3,421,340 | 8/5/2014 | 2025 | 5.00% | 2,855,250 | - | 300,420 | 2,554,830 | 312,840 |
| Refunding Bond | 5,230,000 | 11/17/2016 | 2037 | 3.00-4.00% | 5,230,000 | - | - | 5,230,000 | - |
| Improvement Bond | 3,500,000 | 11/17/2016 | 2037 | 3.00-4.00% | 3,500,000 | - | - | 3,500,000 | - |
| Total general purpose | | | | | 21,244,466 | - | 1,590,367 | 19,654,099 | 1,602,787 |
| Schools: | | | | | | | | | |
| School Bonds | 654,000 | 7/22/2009 | 2028 | 5.00-6.00% | 191,798 | - | 38,749 | 153,049 | 38,749 |
| School Bonds | 1,500,000 | 7/28/2010 | 2021 | 3.00% | 993,696 | - | 84,384 | 909,312 | 84,384 |
| School Bonds | 270,000 | 7/26/2011 | 2021 | 2.00% | 150,000 | - | 30,000 | 120,000 | 30,000 |
| Improvement Bond | 1,285,000 | 7/17/2013 | 2026 | 2.00-4.00% | 1,050,290 | - | 86,920 | 963,370 | 86,920 |
| Refunding Bond | 3,468,660 | 8/5/2014 | 2025 | 5.00% | 2,894,750 | - | 304,580 | 2,590,170 | 317,160 |
| Total schools | | | | | 5,280,534 | - | 544,633 | 4,735,901 | 557,213 |
| Total bonds/notes | | | | | 26,525,000 | - | 2,135,000 | 24,390,000 | 2,160,000 |
| Premium | | | | | 778,764 | - | 62,698 | 716,066 | - |
| Total bonds/notes and related liabilities | | | | | 27,303,764 | - | 2,197,698 | 25,106,066 | 2,160,000 |
| Capital leases | | | | | 501,402 | 760,622 | 505,923 | 756,101 | 502,517 |
| Compensated absences | | | | | 6,922,309 | 336,198 | 128,140 | 7,130,367 | 1,426,073 |
| Net pension liability | | | | | 6,281,761 | 5,008,348 | 7,963,682 | 3,326,427 | - |
| OPEB liability | | | | | 107,710,403 | 18,919,490 | 30,093,598 | 96,536,295 | - |
| Risk management (internal service funds) | | | | | 13,915,002 | 11,609,434 | 13,102,816 | 12,421,620 | 5,017,950 |
| Total long-term obligations | | | | | \$ 162,634,641 | \$ 36,634,092 | \$ 53,991,857 | \$ 145,276,876 | \$ 9,106,540 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**E. Changes in Long-Term Obligations (Continued)****1. Summary of Changes (Continued)**

The following is a summary of bond maturities:

| Fiscal Year Ended June 30, | Bonds | |
|-------------------------------|----------------------|---------------------|
| | Principal | Interest |
| 2019 | \$ 2,160,000 | \$ 981,900 |
| 2020 | 2,495,000 | 880,382 |
| 2021 | 2,610,000 | 770,162 |
| 2022 | 2,645,000 | 654,469 |
| 2023 | 2,275,000 | 546,313 |
| 2024 | 2,310,000 | 445,819 |
| 2025 | 2,345,000 | 342,982 |
| 2026 | 1,480,000 | 260,819 |
| 2027 | 1,445,000 | 200,569 |
| 2028 | 1,385,000 | 145,737 |
| 2029 | 1,225,000 | 100,716 |
| 2030 | 490,000 | 71,769 |
| 2031 | 425,000 | 53,484 |
| 2032 | 185,000 | 40,300 |
| 2033 | 185,000 | 32,900 |
| 2034 | 185,000 | 25,500 |
| 2035 | 185,000 | 18,100 |
| 2036 | 180,000 | 10,800 |
| 2037 | 180,000 | 3,600 |
| Total | <u>\$ 24,390,000</u> | <u>\$ 5,586,321</u> |

All long-term liabilities listed above are liquidated by the General Fund.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**E. Changes in Long-Term Obligations (Continued)****1. Summary of Changes (Continued)**

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

| Category | Debit Limit | Net Indebtedness | Balance |
|-----------------|----------------|---------------------|----------------|
| General purpose | \$ 143,370,763 | \$ 19,654,099 | \$ 123,716,664 |
| Schools | 286,741,526 | 4,735,901 | 282,005,625 |
| Sewers | 238,951,271 | - | 238,951,271 |
| Urban renewal | 207,091,102 | - | 207,091,102 |
| Pension deficit | 191,161,017 | - | 191,161,017 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$446,042,373.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

2. Capital Lease

The Board of Education has entered into a lease agreement for the purchase of computers. The annual payments for the agreement are provided for by annual general fund appropriations.

The individual computers are below the capitalization threshold and, therefore, are not reported as capital assets.

The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the lease, and the present value of the future minimum lease payments:

| Year Ending <u>June 30,</u> | |
|-----------------------------------------|-------------------|
| 2019 | \$ 524,000 |
| 2020 | 262,000 |
| Less amount representing interest | <u>(29,899)</u> |
| Present value of minimum lease payments | <u>\$ 756,101</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**E. Changes in Long-Term Obligations (Continued)****3. Authorized/Unissued Bonds**

The Town had authorized and unissued bonds as follows:

| | <u>Authorized/ Unissued Bonds</u> |
|-----------------|---------------------------------------|
| General purpose | \$ 8,058,693 |
| Schools | <u>2,846,000</u> |
| Total | <u>\$ 10,904,693</u> |

4. Prior Years' Advanced Refunding

In prior years, the Town has defeased a bond issue by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Town's financial statements. At fiscal year-end, the amount of defeased debt outstanding but removed from the Town's financial statements amounted to \$7,540,000.

F. Restricted Net Position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$460,446.

G. Deficit Fund Balances/Net Position

The following funds had deficit fund balances/net position:

| | |
|-----------------------|-----------|
| Daycare | \$ 38,521 |
| LOCIP | 176,024 |
| Self-insurance | 2,118,256 |
| Workers' compensation | 4,552,348 |

The deficits will be eliminated by future grants, charges for services, premium charges to other funds and transfers from the general fund.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

III. DETAILED NOTES (CONTINUED)**H. Fund Balance Classifications**

Fund balances are composed of the following:

| Fund Balance Component | General Fund | Capital Projects | Nonmajor Funds | Total |
|----------------------------------|-----------------|---------------------|-------------------|--------------|
| Nonspendable: | | | | |
| Permanent fund principal | \$ | \$ | \$ 100,000 | \$ 100,000 |
| Restricted: | | | | |
| Health and welfare programs | | | 137,736 | 137,736 |
| Donor purpose restrictions | | | 1,670,014 | 1,670,014 |
| Public safety programs | | | 34,238 | 34,238 |
| Historical document preservation | | | 24,081 | 24,081 |
| Capital replacement | | | 364,232 | 364,232 |
| Education programs | | | 387,612 | 387,612 |
| Total restricted | - | - | 2,617,913 | 2,617,913 |
| Committed: | | | | |
| Senior center | | | 8,575 | 8,575 |
| Education programs | | | 715,598 | 715,598 |
| Total committed | - | - | 724,173 | 724,173 |
| Assigned: | | | | |
| Grant programs | | | 182,928 | 182,928 |
| Recreation | | | 58,396 | 58,396 |
| Health and welfare programs | | | 62,050 | 62,050 |
| Emergency medical service | | | 106,255 | 106,255 |
| Economic development | | | 980 | 980 |
| Animal control | | | 50,851 | 50,851 |
| Teen center | | | 5,853 | 5,853 |
| Library operations | | | 115,819 | 115,819 |
| Total assigned | - | - | 583,132 | 583,132 |
| Unassigned | 5,506,379 | (5,064,157) | (214,545) | 227,677 |
| Total | \$ 5,506,379 | \$ (5,064,157) | \$ 3,810,673 | \$ 4,252,895 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years, and there have not been any significant reductions in insurance coverage from amounts held in prior years.

The Town established internal service funds, the Medical Insurance Fund and the Workers' Compensation Fund, to account for and finance the retained risk of loss for Town Employee medical benefits coverage and workers' compensation claims. A third party administers the plans for which the fund pays a fee.

The Town has purchased a stop loss policy for individual claims exceeding \$100,000 for the medical insurance and \$500,000 for the workers' compensation fund.

In addition, the Town has established an Internal Service Fund to pay judgment and claims and reduce the cost of commercial insurance by raising the deductibles on the policies purchased.

The claims liability reported is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries.

The claim accrual does not include other allocated or unallocated claims adjustment expenses.

| Fiscal Year End/Fund | Claims Payable July 1, | Current Year Claims and Changes in Estimates | Claims Paid | Claims Payable June 30, |
|-----------------------------|------------------------------|-------------------------------------------------------|----------------|-------------------------------|
| Self-Insurance Fund: | | | | |
| 2017 | \$ 5,755,226 | \$(3,257,958) | \$ 31,667 | \$ 2,465,601 |
| 2018 | 2,465,601 | (181,058) | - | 2,284,543 |
| Workers' Compensation Fund: | | | | |
| 2017 | 11,310,060 | 1,431,416 | 2,354,075 | 10,387,401 |
| 2018 | 10,387,401 | (155,118) | 1,287,206 | 8,945,077 |
| Medical Insurance Fund: | | | | |
| 2017 | 1,026,000 | 12,024,194 | 11,988,194 | 1,062,000 |
| 2018 | 1,062,000 | 11,945,610 | 11,815,610 | 1,192,000 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**B. Commitments and Litigation**

There are various suits and claims pending against the Town. Judgments and claims, which are believed by legal counsel to be likely to result in a judgment or claim against the Town, have been recorded in the self-insurance fund as claims payable.

C. Pension Plans - Connecticut Municipal Employees' Retirement System**1. Plan Description**

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees' Retirement System (MERS). This designation may be the result of collective bargaining. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

2. Benefit Provisions

The plan provides retirement, disability and death benefits.

General Employees

Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service or 25 years of aggregate service.

Policemen and Firemen

Compulsory retirement age for police and fire members is age 65.

Normal Retirement: For members not covered by social security, the benefit is 2% of average final compensation times years of service.

For members covered by social security, the benefit is 1 ½% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans - Connecticut Municipal Employees' Retirement System (Continued)

2. Benefit Provisions (Continued)

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement: Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferral to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for nonservice-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

3. Contributions

Employer

Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions.

Employees

For employees not covered by social security, each person is required to contribute 5% of compensation.

For employees covered by social security, each person is required to contribute 2 ¼% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**C. Pension Plans - Connecticut Municipal Employees' Retirement System (Continued)****4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The Town reported \$3,326,427 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportionate share of the net pension liability was based upon the Town's 2016 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. The Town's proportional share was 6.61% for the general employees without social security sub plan and 5.96% for the police and fire without social security sub plan. There was no change in the percentage for the general employees sub plan or the police and fire sub plan from the prior year.

Subsequent to the measurement date, there were no changes in benefit terms or any expected changes that will have an impact on the measurement of net pension liability.

For the fiscal year, the Town recognized pension expense of \$4,236,182. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description of outflows/inflows | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,835,503 | \$ (467,419) |
| Changes in proportional share of employer | 420,152 | (15,704) |
| Net difference between projected and actual earnings on pension plan investments | 1,300,551 | - |
| Town contributions subsequent to measurement date | 2,937,040 | - |
| | - | - |
| Total | \$ 6,493,246 | \$ (483,123) |
| Net amount of deferred inflows and outflows excluding Town contributions subsequent to measurement date | \$ 3,073,083 | |

The \$2,937,040 amount reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**C. Pension Plans - Connecticut Municipal Employees' Retirement System (Continued)****4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | |
|-------------------------|---------------------|
| 2018 | \$ 1,096,110 |
| 2019 | 1,822,439 |
| 2020 | 904,601 |
| 2021 | <u>(750,067)</u> |
| Total | <u>\$ 3,073,083</u> |

5. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--------------------------------------------------------------------|
| Inflation | 3.25% |
| Salary increases | 4.25-11.00%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, the maximum is 6%.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**C. Pension Plans - Connecticut Municipal Employees' Retirement System (Continued)****5. Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|----------------------|----------------------------------------------|
| Large cap U.S. equities | 16.0% | 5.8% |
| Developed non-U.S. equities | 14.0% | 6.6% |
| Emerging markets (non-U.S.) | 7.0% | 8.3% |
| Core fixed income | 8.0% | 1.3% |
| Inflation linked bond fund | 5.0% | 1.0% |
| Emerging market bond | 8.0% | 3.7% |
| High yield bonds | 14.0% | 3.9% |
| Real estate | 7.0% | 5.1% |
| Private equity | 10.0% | 7.6% |
| Alternative investments | 8.0% | 4.1% |
| Liquidity fund | 3.0% | 0.4% |
| Total | 100.0% | |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**C. Pension Plans - Connecticut Municipal Employees' Retirement System (Continued)****6. Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportional share of the net pension (asset) liability of MERS, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

| | <u>1% Decrease (7.00%)</u> | <u>Current Discount (8.00%)</u> | <u>1% Decrease (9.00%)</u> |
|----------------------------------------------------------------|--------------------------------|-----------------------------------------|--------------------------------|
| Town's proportional share of the net pension (asset) liability | <u>\$ 16,875,815</u> | <u>\$ 3,326,427</u> | <u>\$ (8,054,540)</u> |

8. Plan Fiduciary Net Position

Detailed information about the MERS plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2017.

9. Payable to the Pension Plan

The Town had \$18,795 of accounts payable to the MERS plan at year end. The payable represents the Town's legally required contribution and related withheld employee contributions.

The Town has no installment payable for prior service cost due to the plan.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**D. Pension Plans - Connecticut State Teachers' Retirement System****1. Plan Description**

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System ("TRS") - a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board ("TRB"). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov/trb.

2. Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for the service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

3. Contributions**State of Connecticut**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**D. Pension Plans - Connecticut State Teachers' Retirement System (Continued)****3. Contributions (Continued)**Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of pensionable salary.

Effective January 1, 2018, each teacher is required to contribute 7% of pensionable salary.

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows of resources due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|-----------------------------------------------------------------------------------|----------------------|
| Town's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>74,004,319</u> |
| Total | <u>\$ 74,004,319</u> |

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town has no proportionate share of the net pension liability.

For the fiscal year, the Town recognized pension expense and revenue of \$8,560,138 for on-behalf amounts for the benefits provided by the State.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**D. Pension Plans - Connecticut State Teachers' Retirement System (Continued)****5. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--------------------------------------------------------------------|
| Inflation | 2.75% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80 projected to the year 2020 using the BB improvement scale.

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**D. Pension Plans - Connecticut State Teachers' Retirement System (Continued)****5. Actuarial Assumptions (Continued)**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|----------------------|----------------------------------------------|
| Large cap U.S. equities | 21.0% | 5.8% |
| Developed non-U.S. equities | 18.0% | 6.6% |
| Emerging markets (non-U.S.) | 9.0% | 8.3% |
| Real estate | 7.0% | 5.1% |
| Private equity | 11.0% | 7.6% |
| Alternative investments | 8.0% | 4.1% |
| Core fixed income | 7.0% | 1.3% |
| High yield bonds | 5.0% | 3.9% |
| Emerging market bond | 5.0% | 3.7% |
| Inflation linked bond fund | 3.0% | 1.0% |
| Cash | 6.0% | 0.4% |
| Total | 100.0% | |

6. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers' Retirement System plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2017.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**E. Other Post-Employment Benefit Plans****1. Plan Description**

The Town administers two single-employer, post-retirement healthcare plans for the Town and the Board of Education. The Town and Board of Education plans provide medical, prescription drug, dental and vision benefits for eligible retirees and their spouses. Certain groups within the Town are also offered life insurance. The plans are not accounted for in a trust and therefore do not issue standalone financial reports.

2. Plan Provisions**a. Benefit Provisions**

The Town plan provides for medical, prescription drug, dental and vision benefits for all eligible Town Dispatcher, Fire, Police, Public Service, Supervisor and Town Hall retirees and their spouses. The Board of Education plan provides for medical, prescription drug, dental and vision benefits for all Board of Education Teacher, Administrator, Mid-Management, Custodian, Nurse, Cafeteria and Secretary retirees and their spouses. Life insurance is offered for certain groups with the Town. Public Service, Supervisor and Town Hall retirees do not have surviving spouse coverage. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

b. Employer Contributions

The Town and Board of Education are currently funding the plan on a pay as you go basis. Plan members are not required to contribute to the plan.

c. Employee Contributions

There are no employee contributions to the plan. Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement plan. These teachers are required to contribute the cost of the insurance to the Town.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**E. Other Post-Employment Benefit Plans (Continued)****2. Plan Provisions****d. Employees Covered by Benefit Terms**

As of July 1, 2017, the following employees are covered by the benefit terms:

| | <u>Employees'</u> | <u>Board of Education</u> |
|--------------------------------------------------------------------------------|-------------------|-------------------------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 236 | 234 |
| Active plan members | <u>169</u> | <u>296</u> |
| Total | <u><u>405</u></u> | <u><u>530</u></u> |

3. OPEB Liability

The Town's and Board of Education's OPEB liability of \$64,486,230 and \$32,050,065, respectively, were measured as of July 1, 2017, and was determined by an actuarial valuation as July 1, 2017.

4. Actuarial Methods and Assumptions

The total OPEB liability was determined based upon an actuarial valuation of July 1, 2017 for the Town and Board of Education using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------|------------------|
| Valuation date | July 1, 2017 |
| Actuarial cost method | Entry Age Normal |

ACTUARIAL ASSUMPTIONS:

| | |
|----------------------------|-------|
| Investment rate of return | 3.58% |
| Healthcare inflation rate: | |
| Initial | 7.0% |
| Ultimate | 4.5% |
| Inflation rate | 4.0% |

The discount rate was based on the S&P municipal bond 20-year high grade index as of the measurement date.

Mortality rates were based on the RP-2014 mortality table adjusted to 2006 with generational mortality improvement to current year under Projection Scale MP-2018.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**E. Other Post-Employment Benefit Plans (Continued)****4. Actuarial Methods and Assumptions (Continued)**

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future.

The Town and Board of Education's OPEB liability decreased due to the following changes in valuation assumptions:

- An increase in the discount rate from 2.85% to 3.58% decreased the Town and Board of Education's OPEB liability by approximately \$10.8 million and \$3.7 million, respectively.
- Lowering the coverage enrollment at retirement assumption decreased the Board of Education's OPEB liability by approximately \$2.1 million.

5. Changes in the OPEB Liability

| | <u>Employees'</u> | <u>Board of Education</u> |
|----------------------------------------------------|----------------------|-------------------------------|
| Balance at July 1, 2017 | \$ 59,909,503 | \$ 47,800,900 |
| Service cost | 2,715,495 | 440,264 |
| Interest | 2,471,758 | 1,520,774 |
| Differences between expected and actual experience | 11,771,199 | (7,302,204) |
| Changes in assumptions | (10,188,458) | (8,048,304) |
| Benefit payments | <u>(2,193,267)</u> | <u>(2,361,365)</u> |
| Net change | <u>4,576,727</u> | <u>(15,750,835)</u> |
| Balance at June 30, 2018 | <u>\$ 64,486,230</u> | <u>\$ 32,050,065</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**E. Other Post-Employment Benefit Plans (Continued)****6. Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

| OPEB Liability | 1% Decrease 2.58% | Discount Rate 3.58% | 1% Increase 4.58% |
|--------------------|----------------------|------------------------|----------------------|
| Employees' | <u>\$ 74,694,478</u> | <u>\$ 64,486,230</u> | <u>\$ 56,330,736</u> |
| Board of Education | <u>\$ 35,740,116</u> | <u>\$ 32,050,065</u> | <u>\$ 28,936,434</u> |

7. Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

| OPEB Liability | 1% Decrease in Health Care Cost Trend Rates | Current Health Care Cost Trend Rates | 1% Increase in Health Care Cost Trend Rates |
|--------------------|---------------------------------------------------|--------------------------------------------|---------------------------------------------------|
| Employees' | <u>\$ 55,328,071</u> | <u>\$ 64,486,230</u> | <u>\$ 76,033,159</u> |
| Board of Education | <u>\$ 28,936,511</u> | <u>\$ 32,050,065</u> | <u>\$ 35,708,926</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefit Plans (Continued)

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year, the Town and Board of Education recognized OPEB expense of \$162,304 and \$(1,877,705), respectively. The Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

| Employees' OPEB Plan Description of Outflows/Inflows | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 9,266,689 | \$ - |
| Changes in assumptions | - | 8,020,701 |
| Total | <u>\$ 9,266,689</u> | <u>\$ 8,020,701</u> |
| Net amount of deferred inflows and outflows | | <u>\$ 1,245,988</u> |

The Board of Education reported deferred inflows of resources related to OPEB from the following sources:

| Board of Education's OPEB Plan Description of Outflows/Inflows | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 6,007,487 |
| Changes in assumptions | - | 6,621,300 |
| Total | <u>\$ -</u> | <u>\$ 12,628,787</u> |
| Net amount of deferred inflows and outflows | | <u>\$ (12,628,787)</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefit Plans (Continued)

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending June 30, | Employees' | Board of Education |
|-------------------------|---------------------|------------------------|
| 2019 | \$ 336,753 | \$ (2,721,721) |
| 2020 | 336,753 | (2,721,721) |
| 2021 | 336,753 | (2,721,721) |
| 2022 | 235,728 | (2,721,721) |
| 2023 | - | (1,741,902) |
| Total | <u>\$ 1,245,988</u> | <u>\$ (12,628,787)</u> |

F. OPEB Plan - Connecticut State Teachers' Retirement Plan

1. Plan Description

Teachers, principals, superintendents, supervisors and professional employees at State schools of higher education if they choose to be covered that are currently receiving a retirement or disability benefit are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan ("TRS-RHIP") - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers' Retirement Board ("TRB"). Chapter 167a Section 10-183 (t) of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

2. Benefit Provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

- **Normal Retirement:** Eligibility - Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.
- **Early Retirement:** Eligibility - 25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.
- **Proratable Retirement:** Eligibility - Age 60 with 10 years of Credited Service.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**F. OPEB Plan - Connecticut State Teachers' Retirement Plan (Continued)****2. Benefit Provisions (Continued)**

- **Disability Retirement:** Eligibility - 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.
- **Termination of Employment:** Eligibility - 10 or more years of Credited Service.

Retiree Health Care Coverage

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

| | |
|--------------------------------------------------------------------|-------|
| • Medicare Supplement with Prescriptions | \$ 92 |
| • Medicare Supplement with Prescriptions and Dental | 136 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 141 |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**F. OPEB Plan - Connecticut State Teachers' Retirement Plan (Continued)****2. Benefit Provisions (Continued)**

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB - Sponsored Medicare Supplemental Plans, as long as they do not remarry.

3. ContributionsState of Connecticut

Per Connecticut General Statutes Section 10-183t, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their annual salary. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

4. OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town were as follows:

| | |
|--------------------------------------------------------------------------------|----------------------|
| Town's proportionate share of the net OPEB liability | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | 19,047,874 |
| Total | <u>\$ 19,047,874</u> |

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**F. OPEB Plan - Connecticut State Teachers' Retirement Plan (Continued)****4. OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Town has no proportionate share of the net OPEB liability.

The Town recognized OPEB expense and revenue of \$882,775 for on-behalf amounts for the benefits provided by the State.

5. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------------|-----------------------------------------------------------------|
| Inflation | 2.75% |
| Health care costs trend rate | 7.25% decreasing to 5.00% by 2022 |
| Salary increases | 3.25-6.50%, including inflation |
| Investment rate of return | 3.56%, net of OPEB plan investment expense, including inflation |
| Year fund net position will be depleted | 2018 |

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale was used.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 2.75%.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)**F. OPEB Plan - Connecticut State Teachers' Retirement Plan (Continued)****5. Actuarial Assumptions (Continued)**Changes in assumptions and inputs

As a result of the experience study for the five-year period ending June 30, 2015:

- The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase.
- The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.

Other changes were as follows:

- The discount rate has been increased from 3.01% to 3.56% based upon the increase in the municipal bond index.

Additionally, the assumed initial per capita health care costs, the assumed rates of healthcare inflation used to project the per capita costs, and the participation assumptions have been revised.

Affordable Care Act (ACA)

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

6. Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Town of East Haven, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2018

IV. OTHER INFORMATION (CONTINUED)

F. OPEB Plan - Connecticut State Teachers' Retirement Plan (Continued)

7. Sensitivity of the OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate

The Town's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2017.

G. Prior Period Adjustment

The government-wide net position was restated as follows due to the implementation of GASB Statement 75, which requires the Town to record the OPEB liability in the government-wide financial statements, and GASB Statement 84 related to fiduciary funds:

| | <u>Governmental Activities</u> | <u>Private- Purpose Trust Funds</u> | <u>Custodial Funds</u> |
|--------------------------------------------------------------------------------|------------------------------------|---------------------------------------------|----------------------------|
| Net position as previously reported at June 30, 2017 | \$ 33,168,356 | \$ 95,110 | \$ - |
| To present custodial funds in accordance with new reporting standard (GASB 84) | - | - | 154,150 |
| To properly classify funds (GASB 84) | - | 27,249 | (27,249) |
| To remove OPEB obligation previously recorded | 25,947,134 | - | - |
| To record beginning OPEB liability (GASB 75) | <u>(107,710,403)</u> | <u>-</u> | <u>-</u> |
| Net position as restated at July 1, 2017 | <u>\$ (48,594,913)</u> | <u>\$ 122,359</u> | <u>\$ 126,901</u> |

**Required
Supplementary
Information**

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

| | ORIGINAL BUDGET | ADDITIONAL APPROPRIATIONS AND TRANSFERS | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|-------------------------------------------------------------------|--------------------|-----------------------------------------------|-------------------|---------------------|-------------------------------------|
| REVENUES: | | | | | |
| Property taxes..... | \$ 63,540,271 | \$ - | \$ 63,540,271 | \$ 63,509,176 | \$ (31,095) |
| Intergovernmental..... | 22,252,118 | - | 22,252,118 | 20,541,003 | (1,711,115) |
| Investment income..... | 66,700 | - | 66,700 | 247,238 | 180,538 |
| Charges for services..... | 2,382,850 | - | 2,382,850 | 2,093,243 | (289,607) |
| Other..... | 1,075,050 | - | 1,075,050 | 742,302 | (332,748) |
| TOTAL REVENUES..... | 89,316,989 | - | 89,316,989 | 87,132,962 | (2,184,027) |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 2,966,562 | (67,488) | 2,899,074 | 2,679,681 | 219,393 |
| Public safety..... | 12,372,310 | 300,259 | 12,672,569 | 12,637,790 | 34,779 |
| Public services and engineering..... | 2,546,028 | (64,000) | 2,482,028 | 2,162,715 | 319,313 |
| Sanitation and maintenance..... | 2,970,016 | 64,000 | 3,034,016 | 2,907,482 | 126,534 |
| Health and welfare..... | 1,142,402 | - | 1,142,402 | 1,016,003 | 126,399 |
| Culture and recreation..... | 1,917,381 | - | 1,917,381 | 1,792,413 | 124,968 |
| Employee benefits and insurance..... | 12,656,632 | (54,141) | 12,602,491 | 12,007,025 | 595,466 |
| Education..... | 47,710,357 | - | 47,710,357 | 47,683,005 | 27,352 |
| General services..... | 2,047,500 | (178,630) | 1,868,870 | 982,304 | 886,566 |
| Debt service..... | 3,207,801 | - | 3,207,801 | 3,207,801 | - |
| TOTAL EXPENDITURES..... | 89,536,989 | - | 89,536,989 | 87,076,219 | 2,460,770 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (220,000) | - | (220,000) | 56,743 | 276,743 |
| OTHER FINANCING SOURCES: | | | | | |
| Sale of Town owned property..... | 220,000 | - | 220,000 | 297,832 | 77,832 |
| Transfers in..... | - | - | - | 25,000 | 25,000 |
| TOTAL OTHER FINANCING SOURCES..... | 220,000 | - | 220,000 | 322,832 | 102,832 |
| NET CHANGE IN FUND BALANCE..... | \$ - | \$ - | \$ - | 379,575 | \$ 379,575 |
| FUND BALANCE - JULY 1, 2017..... | | | | 5,436,994 | |
| FUND BALANCE - JUNE 30, 2018..... | | | | \$ 5,816,569 | |

TOWN OF EAST HAVEN, CONNECTICUT

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

| | ORIGINAL BUDGET | ADDITIONAL APPROPRIATIONS AND TRANSFERS | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|------------------------------------------|--------------------|-----------------------------------------------|-------------------|-------------------|-------------------------------------|
| PROPERTY TAXES: | | | | | |
| Real estate..... | \$ 53,394,481 | \$ - | \$ 53,394,481 | \$ 53,376,129 | \$ (18,352) |
| Motor vehicle and personal property..... | 7,143,665 | - | 7,143,665 | 6,923,819 | (219,846) |
| Supplemental motor vehicle..... | 703,407 | - | 703,407 | 747,615 | 44,208 |
| Delinquent taxes..... | 665,000 | - | 665,000 | 886,903 | 221,903 |
| Suspense collections..... | 115,000 | - | 115,000 | 111,038 | (3,962) |
| Interest, penalties and liens..... | 640,000 | - | 640,000 | 589,700 | (50,300) |
| PILOT water authority..... | 767,318 | - | 767,318 | 767,318 | - |
| PILOT GNHWPCA..... | 63,000 | - | 63,000 | 63,000 | - |
| Telecommunication property tax..... | 48,400 | - | 48,400 | 43,654 | (4,746) |
| TOTAL PROPERTY TAXES..... | 63,540,271 | - | 63,540,271 | 63,509,176 | (31,095) |
| INTERGOVERNMENTAL: | | | | | |
| State aid school construction..... | 657,605 | - | 657,605 | 1,058,506 | 400,901 |
| Health and welfare nonpublic school..... | 27,876 | - | 27,876 | - | (27,876) |
| Pupil transportation..... | 184,422 | - | 184,422 | - | (184,422) |
| Education block grant..... | 19,595,415 | - | 19,595,415 | 18,647,492 | (947,923) |
| PILOT state property..... | 240,704 | - | 240,704 | 240,702 | (2) |
| Municipal revenue sharing..... | 854,319 | - | 854,319 | - | (854,319) |
| PILOT Pequot funds..... | 158,456 | - | 158,456 | 158,456 | - |
| Elderly circuit breaker..... | 357,240 | - | 357,240 | - | (357,240) |
| Tax relief elderly..... | 4,000 | - | 4,000 | 4,000 | - |
| Veterans' exemption..... | 74,962 | - | 74,962 | 72,466 | (2,496) |
| Disability reimbursement..... | 5,400 | - | 5,400 | 5,086 | (314) |
| Off Track Betting (OTB)..... | 72,760 | - | 72,760 | 63,503 | (9,257) |
| State of CT department of children..... | 18,959 | - | 18,959 | 19,790 | 831 |
| Hazard mitigation..... | - | - | - | 33,459 | 33,459 |
| Miscellaneous grants..... | - | - | - | 50,124 | 50,124 |
| Municipal stabilization grant..... | - | - | - | 187,419 | 187,419 |
| TOTAL INTERGOVERNMENTAL..... | 22,252,118 | - | 22,252,118 | 20,541,003 | (1,711,115) |
| INVESTMENT INCOME..... | 66,700 | - | 66,700 | 247,238 | 180,538 |
| CHARGES FOR SERVICES: | | | | | |
| Zoning board of appeals..... | 4,350 | - | 4,350 | 2,216 | (2,134) |
| Zoning fees..... | 21,000 | - | 21,000 | 19,139 | (1,861) |
| Police permits, tags, etc..... | 49,000 | - | 49,000 | 35,231 | (13,769) |
| Fire permits/fees..... | 1,000 | - | 1,000 | 195 | (805) |
| Town clerk fees..... | 450,000 | - | 450,000 | 420,322 | (29,678) |
| Building department permits..... | 265,000 | - | 265,000 | 290,299 | 25,299 |
| Recreation fees..... | 85,000 | - | 85,000 | 52,670 | (32,330) |
| Pool fees..... | 20,500 | - | 20,500 | 6,017 | (14,483) |
| Athletic complex fees..... | 320,000 | - | 320,000 | 333,838 | 13,838 |
| C.A.M. fees..... | 1,500 | - | 1,500 | 960 | (540) |
| Human services fees..... | 245,000 | - | 245,000 | 237,887 | (7,113) |
| Landfill fees..... | 15,000 | - | 15,000 | 13,835 | (1,165) |
| Solid waste hauler fees..... | 14,500 | - | 14,500 | - | (14,500) |
| Inland/wetland prints..... | 1,000 | - | 1,000 | - | (1,000) |
| Flood and erosion..... | 5,000 | - | 5,000 | 1,930 | (3,070) |
| Police special assignments..... | 885,000 | - | 885,000 | 678,704 | (206,296) |
| TOTAL CHARGES FOR SERVICES..... | 2,382,850 | - | 2,382,850 | 2,093,243 | (289,607) |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL (CONTINUED)

| | ORIGINAL BUDGET | ADDITIONAL APPROPRIATIONS AND TRANSFERS | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|----------------------------------------------------|--------------------|-----------------------------------------------|-----------------|---------------|-------------------------------------|
| OTHER: | | | | | |
| Employee benefit cost sharing..... | \$ 545,050 | \$ - | \$ 545,050 | \$ 557,189 | \$ 12,139 |
| Workers' compensation reimbursement..... | 290,000 | - | 290,000 | 124,438 | (165,562) |
| Miscellaneous..... | 240,000 | - | 240,000 | 60,675 | (179,325) |
| TOTAL OTHER..... | 1,075,050 | - | 1,075,050 | 742,302 | (332,748) |
| TOTAL REVENUES..... | 89,316,989 | - | 89,316,989 | 87,132,962 | (2,184,027) |
| OTHER FINANCING SOURCES: | | | | | |
| Sale of Town owned property..... | 220,000 | - | 220,000 | 297,832 | 77,832 |
| Transfers in..... | - | - | - | 25,000 | 25,000 |
| TOTAL OTHER FINANCING SOURCES..... | 220,000 | - | 220,000 | 322,832 | 102,832 |
| TOTAL REVENUES AND OTHER FINANCING SOURCES..... | \$ 89,536,989 | \$ - | \$ 89,536,989 | \$ 87,455,794 | \$ (2,081,195) |

(Concluded)

TOWN OF EAST HAVEN, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

| | ORIGINAL BUDGET | ADDITIONAL APPROPRIATIONS AND TRANSFERS | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|---------------------------------------------------|--------------------|-----------------------------------------------|-------------------|-------------------|-------------------------------------|
| GENERAL GOVERNMENT: | | | | | |
| Town Council..... | \$ 72,600 | \$ (10,887) | \$ 61,713 | \$ 60,322 | \$ 1,391 |
| Board of Finance..... | 6,800 | - | 6,800 | 6,000 | 800 |
| Mayor..... | 158,631 | - | 158,631 | 148,429 | 10,202 |
| Finance..... | 461,415 | - | 461,415 | 448,169 | 13,246 |
| Purchasing..... | 51,389 | - | 51,389 | 49,687 | 1,702 |
| Tax collector..... | 288,837 | (23,030) | 265,807 | 263,854 | 1,953 |
| Assessor..... | 286,050 | - | 286,050 | 271,268 | 14,782 |
| Personnel, administration and management..... | 408,372 | - | 408,372 | 337,002 | 71,370 |
| Board of assessment appeals..... | 2,500 | - | 2,500 | 1,875 | 625 |
| Town clerk..... | 279,935 | (56,589) | 223,346 | 220,910 | 2,436 |
| Registrar of Voters..... | 148,290 | (33,123) | 115,167 | 113,736 | 1,431 |
| Planning and zoning..... | 174,777 | (986) | 173,791 | 168,322 | 5,469 |
| Zoning board of appeals..... | 2,975 | 986 | 3,961 | 3,878 | 83 |
| Legal..... | 447,360 | 54,141 | 501,501 | 521,500 | (19,999) |
| Probate..... | 21,700 | - | 21,700 | 14,508 | 7,192 |
| Civil service..... | 49,731 | 2,000 | 51,731 | 47,683 | 4,048 |
| Flood and erosion..... | 600 | - | 600 | - | 600 |
| Inland/wetland..... | 2,000 | - | 2,000 | 738 | 1,262 |
| Fund balance contribution..... | 100,000 | - | 100,000 | - | 100,000 |
| School building committee..... | 2,600 | - | 2,600 | 1,800 | 800 |
| TOTAL GENERAL GOVERNMENT..... | 2,966,562 | (67,488) | 2,899,074 | 2,679,681 | 219,393 |
| PUBLIC SAFETY: | | | | | |
| Board of police commissioners..... | 3,050 | - | 3,050 | 1,769 | 1,281 |
| Animal shelter..... | 242,090 | - | 242,090 | 236,662 | 5,428 |
| Police department..... | 5,619,870 | 172,986 | 5,792,856 | 5,788,213 | 4,643 |
| Board of fire commissioners..... | 15,550 | - | 15,550 | 13,734 | 1,816 |
| Fire department..... | 5,653,367 | 92,905 | 5,746,272 | 5,726,416 | 19,856 |
| Public Safety Command Center..... | 838,383 | 34,368 | 872,751 | 870,996 | 1,755 |
| TOTAL PUBLIC SAFETY..... | 12,372,310 | 300,259 | 12,672,569 | 12,637,790 | 34,779 |
| PUBLIC SERVICES AND ENGINEERING: | | | | | |
| Engineering..... | 165,535 | - | 165,535 | 150,932 | 14,603 |
| Public services..... | 2,380,493 | (64,000) | 2,316,493 | 2,011,783 | 304,710 |
| TOTAL PUBLIC SERVICES AND ENGINEERING..... | 2,546,028 | (64,000) | 2,482,028 | 2,162,715 | 319,313 |
| SANITATION AND MAINTENANCE: | | | | | |
| Building department..... | 157,764 | - | 157,764 | 150,273 | 7,491 |
| Sanitation..... | 1,925,629 | 64,000 | 1,989,629 | 1,976,064 | 13,565 |
| Building maintenance..... | 886,623 | - | 886,623 | 781,145 | 105,478 |
| TOTAL SANITATION AND MAINTENANCE..... | 2,970,016 | 64,000 | 3,034,016 | 2,907,482 | 126,534 |
| HEALTH AND WELFARE: | | | | | |
| Public health..... | 262,613 | - | 262,613 | 247,471 | 15,142 |
| Social services..... | 59,250 | - | 59,250 | 56,636 | 2,614 |
| Counseling and community services..... | 777,239 | - | 777,239 | 705,794 | 71,445 |
| Housing authority..... | 850 | - | 850 | - | 850 |
| Urban renewal..... | 42,450 | - | 42,450 | 6,102 | 36,348 |
| TOTAL HEALTH AND WELFARE..... | 1,142,402 | - | 1,142,402 | 1,016,003 | 126,399 |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)

| | ORIGINAL BUDGET | ADDITIONAL APPROPRIATIONS AND TRANSFERS | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
|---------------------------------------------------|----------------------|-----------------------------------------------|----------------------|----------------------|-------------------------------------|
| CULTURE AND RECREATION: | | | | | |
| Recreation..... | \$ 487,274 | \$ - | \$ 487,274 | \$ 444,738 | \$ 42,536 |
| Recreation - ice rink..... | 299,120 | - | 299,120 | 270,984 | 28,136 |
| Senior center..... | 217,639 | - | 217,639 | 203,125 | 14,514 |
| Library..... | 804,148 | - | 804,148 | 792,006 | 12,142 |
| Community services..... | 109,200 | - | 109,200 | 81,560 | 27,640 |
| TOTAL CULTURE AND RECREATION..... | 1,917,381 | - | 1,917,381 | 1,792,413 | 124,968 |
| EMPLOYEE BENEFITS AND INSURANCE: | | | | | |
| Employee benefits..... | 10,168,632 | - | 10,168,632 | 9,789,074 | 379,558 |
| Insurance..... | 2,488,000 | (54,141) | 2,433,859 | 2,217,951 | 215,908 |
| TOTAL EMPLOYEE BENEFITS AND INSURANCE..... | 12,656,632 | (54,141) | 12,602,491 | 12,007,025 | 595,466 |
| EDUCATION..... | 47,710,357 | - | 47,710,357 | 47,683,005 | 27,352 |
| GENERAL SERVICES..... | 2,047,500 | (178,630) | 1,868,870 | 982,304 | 886,566 |
| DEBT SERVICE: | | | | | |
| Principal..... | 2,135,000 | - | 2,135,000 | 2,135,000 | - |
| Interest..... | 1,072,801 | - | 1,072,801 | 1,072,801 | - |
| TOTAL DEBT SERVICE..... | 3,207,801 | - | 3,207,801 | 3,207,801 | - |
| TOTAL EXPENDITURES..... | \$ 89,536,989 | \$ - | \$ 89,536,989 | \$ 87,076,219 | \$ 2,460,770 |

Reconciliation to Exhibit D

| | Revenues | Expenditures |
|------------------------------------------|----------------------|----------------------|
| Budgetary Basis - RSI-1 | \$ 87,132,962 | \$ 87,076,219 |
| State Teachers' pension on behalf amount | 8,560,138 | 8,560,138 |
| State Teachers' OPEB on behalf amount | 882,775 | 882,775 |
| GAAP Basis - Exhibit D | \$ 96,575,875 | \$ 96,519,132 |

Notes to Required Supplementary Information:

This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) except for the Town does not recognize as revenue or expenditures payments made for the Teachers' pension and OPEB by the State of Connecticut on the Town's behalf.

(Concluded)

Town of East Haven, Connecticut

Connecticut Municipal Employees' Retirement System

Required Supplementary Information
Last Four Years (1)**Schedule of Proportionate Share of the Net Pension Liability**

| | 2018 | 2017 | 2016 | 2015 (as restated) |
|--------------------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Town's proportion of the net pension liability for the general employees without social security sub plan | <u>6.61%</u> | <u>6.61%</u> | <u>6.26%</u> | <u>6.26%</u> |
| Town's proportion of the net pension asset for the policemen and firemen without social security sub plan | <u>5.96%</u> | <u>5.96%</u> | <u>6.17%</u> | <u>6.40%</u> |
| Town's proportionate share of the net pension (asset) liability | <u>\$ 3,326,427</u> | <u>\$ 6,281,761</u> | <u>\$ 1,655,172</u> | <u>\$ (1,456,428)</u> |
| Town's covered payroll | <u>\$ 17,639,314</u> | <u>\$ 17,639,314</u> | <u>\$ 16,645,682</u> | <u>\$ 16,290,888</u> |
| Town's proportionate share of the net pension (asset) liability as a percentage of its covered payroll | <u>18.86%</u> | <u>35.61%</u> | <u>9.94%</u> | <u>(8.94)%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>91.68%</u> | <u>92.72%</u> | <u>92.72%</u> | <u>92.72%</u> |

Schedule of Contributions

| | 2018 | 2017 | 2016 | 2015 (as restated) |
|----------------------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Contractually required contribution | <u>\$ 2,394,514</u> | <u>\$ 2,373,870</u> | <u>\$ 2,567,016</u> | <u>\$ 2,502,937</u> |
| Contributions in relation to the contractually required contribution | <u>2,394,514</u> | <u>2,373,870</u> | <u>2,567,016</u> | <u>2,502,937</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered payroll | <u>\$ 17,639,314</u> | <u>\$ 17,639,314</u> | <u>\$ 16,645,682</u> | <u>\$ 16,290,888</u> |
| Contributions as a percentage of covered payroll | <u>13.57%</u> | <u>13.46%</u> | <u>15.42%</u> | <u>15.36%</u> |

(1) This schedule is intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of East Haven, Connecticut

Connecticut Municipal Employees' Retirement System

Notes to Required Supplementary Information
Last Four Years (1)

| | |
|-------------------------------|-------------------------------------------------------------------------|
| Changes of Benefit Terms | None |
| Changes of Assumptions | None |
| Actuarial Cost Method | Entry age |
| Amortization Method | Level dollar, closed |
| Remaining Amortization Period | 25 years |
| Asset Valuation Method | 5 year smoothed market (20% recognition of investment gains and losses) |
| Inflation | 3.25% |
| Salary Increases | 4.25%-11.00%, average, including inflation |
| Cost-of-Living Adjustments | After January 1, 2002, 2.5% minimum |
| | Prior to January 1, 2002, 2.5% up to age 65. 3.25% afterwards |
| Social Security Wage Base | 3.50% |
| Investment Rate of Return | 8.00%, net of pension plan investment expense, including inflation |

(1) This schedule is intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of East Haven, Connecticut

Connecticut State Teachers' Retirement System

Required Supplementary Information
Last Four Years (3)Schedule of Proportionate Share of the Net Pension Liability

| | 2018 | 2017 | 2016 | 2015 |
|--------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Town's proportion of the net pension liability | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Town's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - |
| State of Connecticut's proportionate share of the net pension liability associated with the Town | <u>74,004,319</u> | <u>78,075,123</u> | <u>58,217,951</u> | <u>53,810,829</u> |
| Total | <u>\$ 74,004,319</u> | <u>\$ 78,075,123</u> | <u>\$ 58,217,951</u> | <u>\$ 53,810,829</u> |
| Town's covered payroll | (2) <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>55.93%</u> | <u>52.26%</u> | <u>59.50%</u> | <u>61.51%</u> |

Schedule of Contributions

| | 2018 | 2017 | 2016 | 2015 |
|----------------------------------------------------------------------|----------------|--------------|--------------|--------------|
| Contractually required contribution | (1) \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered payroll | (2) <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Contributions as a percentage of covered payroll | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</u> |

(1) Local employers are not required to contribute to the plan.

(2) Not applicable since 0% proportional share of the net pension liability.

(3) This schedule is intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of East Haven, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information
Last Four Years (1)

| | |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Changes of Benefit Terms | None |
| Changes of Assumptions | <p>2016:</p> <ol style="list-style-type: none"> 1. Reduce the inflation assumption from 3.00% to 2.75%. 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%. 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%. 4. Slightly modify the merit portion of the salary scale. 5. Reduce the payroll growth assumption from 3.75% to 3.25%. 6. Update mortality tables to projected versions of the RPH-2014 mortality tables. 7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8. Increase rates of withdrawal. 9. Decrease rates of disability for males. |
| Actuarial Cost Method | Entry age |
| Amortization Method | Level percent of salary, closed |
| Remaining Amortization Period | 21.4 years |
| Asset Valuation Method | 4 year smoothed market |
| Inflation | 2.75% |
| Salary Increases | 3.25%-6.50%, average, including inflation |
| Investment Rate of Return | 8.00%, net of pension plan investment expense, including inflation |

(1) This schedule is intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of East Haven, Connecticut

Other Post-Employment Benefit Plans

Required Supplementary Information
June 30, 2018 (1)Schedule of Changes in OPEB LiabilityEmployees' Plan

| | |
|----------------------------------------------------|----------------------------|
| OPEB liability: | |
| Service cost | \$ 2,715,495 |
| Interest | 2,471,758 |
| Differences between expected and actual experience | 11,771,199 |
| Changes in assumptions | (10,188,458) |
| Benefit payments | (2,193,267) |
| | <hr/> |
| Net change in total OPEB liability | 4,576,727 |
| OPEB liability - July 1 | <hr/> 59,909,503 |
| OPEB liability - June 30 * | <hr/> <u>\$ 64,486,230</u> |

Board of Education Plan

| | |
|----------------------------------------------------|----------------------------|
| OPEB liability: | |
| Service cost | \$ 440,264 |
| Interest | 1,520,774 |
| Differences between expected and actual experience | (7,302,204) |
| Changes in assumptions | (8,048,304) |
| Benefit payments | (2,361,365) |
| | <hr/> |
| Net change in OPEB liability | (15,750,835) |
| OPEB liability - July 1 | <hr/> 47,800,900 |
| OPEB liability - June 30 * | <hr/> <u>\$ 32,050,065</u> |

* There are no assets that are being accumulated in a trust that meets the criteria in GASB 75 to pay benefits.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of East Haven, Connecticut

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan

Required Supplementary Information
June 30, 2018 (3)Schedule of Proportionate Share of the Net OPEB Liability

| | | | |
|-----------------------------------------------------------------------------------------------|-----|----|-------------------|
| Town's proportionate share of the net OPEB liability | | \$ | - |
| State of Connecticut's proportionate share of the net OPEB liability associated with the Town | | | <u>19,047,874</u> |
| Total | | \$ | <u>19,047,874</u> |
| Town's covered payroll | (2) | | <u>N/A</u> |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | | | <u>0.00%</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | | <u>1.79%</u> |

Schedule of Contributions

| | | | |
|----------------------------------------------------------------------|-----|----|--------------|
| Contractually required contribution | (1) | \$ | - |
| Contributions in relation to the contractually required contribution | | | <u>-</u> |
| Contribution deficiency (excess) | | \$ | <u>-</u> |
| Town's covered payroll | (2) | | <u>N/A</u> |
| Contributions as a percentage of covered-employee payroll | | | <u>0.00%</u> |

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net OPEB liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of East Haven, Connecticut

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan

Notes to Required Supplementary Information
June 30, 2018 (1)

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Changes of Benefit Terms | None |
| Changes of Assumptions | 2016: The discount rate has been lowered from 4.50% to 4.25% to reflect the decrease in the rate of inflation. |
| | The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. |
| | The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board. |
| | The assumed initial per capita health care costs, the assumed rates of healthcare inflation used to project the per capita costs, and the participation assumptions have been revised. |
| Actuarial Cost Method | Entry age |
| Amortization Method | Level percentage, open |
| Asset Valuation Method | Fair Value |
| Inflation | 2.75% |
| Healthcare Inflation Rate | Initial 7.25% decreasing to 5.00% (ultimate) by 2022 |
| Salary Increases | 3.25% to 6.50%, including inflation |
| Investment Rate of Return | 4.25% |
| Mortality Rate | RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale. |

(1) These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Supplemental Schedules

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town i.e., general government, public safety, public works, culture and recreation, health and welfare, development and conservation, benefits and insurance, education, etc. These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF EAST HAVEN, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018

| GRAND LIST YEAR | Uncollected Taxes July 1, 2017 | CURRENT YEAR LEVY | LAWFUL CORRECTIONS | | TRANSFERS TO SUSPENSE | ADJUSTED AMOUNT COLLECTIBLE | COLLECTIONS | | | Uncollected Taxes June 30, 2018 |
|-------------------|--------------------------------|-------------------|--------------------|------------|-----------------------|-----------------------------|---------------|----------------------|---------------|---------------------------------|
| | | | ADDITIONS | DEDUCTIONS | | | TAXES | INTEREST & LIEN FEES | TOTAL | |
| 2001 | \$ 28,913 | \$ - | \$ - | \$ 28,913 | \$ - | \$ - | \$ 193 | \$ - | 193 | \$ - |
| 2002 | 24,369 | - | - | - | - | 24,369 | - | - | - | 24,369 |
| 2003 | 24,973 | - | - | - | - | 24,973 | - | - | - | 24,973 |
| 2004 | 28,571 | - | - | - | - | 28,571 | - | - | - | 28,571 |
| 2005 | 34,500 | - | - | - | - | 34,500 | - | - | - | 34,500 |
| 2006 | 70,614 | - | - | - | - | 70,614 | - | - | - | 70,614 |
| 2007 | 91,205 | - | - | - | 18,344 | 72,861 | - | - | - | 72,861 |
| 2008 | 97,970 | - | - | - | 22,030 | 75,940 | 964 | 1,492 | 2,456 | 74,976 |
| 2009 | 215,900 | - | - | - | 110,451 | 105,449 | 8,714 | 9,517 | 18,231 | 96,735 |
| 2010 | 256,250 | - | - | - | 142,415 | 113,835 | 14,574 | 15,190 | 29,764 | 99,261 |
| 2011 | 187,477 | - | 161 | 161 | 59,815 | 127,662 | 59,986 | 30,743 | 90,729 | 67,676 |
| 2012 | 269,254 | - | 408 | - | - | 269,662 | 54,285 | 39,167 | 93,452 | 215,377 |
| 2013 | 375,272 | - | 45,309 | 884 | 315 | 419,382 | 98,467 | 26,827 | 125,294 | 320,915 |
| 2014 | 472,463 | - | 2,852 | 1,119 | 2,188 | 472,008 | 119,313 | 37,981 | 157,294 | 352,695 |
| 2015 | 1,378,350 | - | 28353 | 29,023 | 171,646 | 1,206,034 | 744,883 | 154,129 | 899,012 | 461,151 |
| Total Prior Years | 3,556,081 | - | 77,083 | 60,100 | 527,204 | 3,045,860 | 1,101,186 | 315,240 | 1,416,425 | 1,944,674 |
| 2016 | - | 62,110,889 | 130,731 | 465,026 | 4,733 | 61,771,861 | 60,571,894 | 259,942 | 60,831,836 | 1,199,967 |
| TOTAL | \$ 3,556,081 | \$ 62,110,889 | \$ 207,814 | \$ 525,126 | \$ 531,937 | \$ 64,817,721 | \$ 61,673,080 | \$ 575,182 | \$ 62,248,261 | \$ 3,144,641 |

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or assigned for particular purposes.

Public Safety

Historical Documents Preservation

Economic Development

Town Pool Repair

Open Space

Workforce Alliance

Marine Enforcement Grants

Public Works State Aid

East Haven Kennel Club

Small Cities

Dog Licenses

Senior Center

Teen Center

Hagaman Memorial Library

Health and Welfare

Emergency Management Fund

Daycare

Athletic Department

High School Rental

School Lunch

Adult Education

Education Grants

Nonmajor Governmental Funds

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for major capital asset construction and/or purchase.

Local Transportation Capital Program

LOCIP

LOCIP Town Clerk Fees

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting Town's programs.

J. Woodward Thompson Education Fund

Library Fund

Library Building Project

Isaac Hagaman Library Fund

A. J. Berman Library Fund

TOWN OF EAST HAVEN, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| | | SPECIAL REVENUE FUNDS | | | | | | |
|-------------------------------------------------|------------------|-----------------------------------|----------------------|------------------|------------------|---------------------------|-----------------|--|
| | PUBLIC SAFETY | HISTORICAL DOCUMENTS PRESERVATION | ECONOMIC DEVELOPMENT | TOWN POOL REPAIR | OPEN SPACE | MARINE ENFORCEMENT GRANTS | | |
| ASSETS | | | | | | | | |
| Cash..... | \$ 12,539 | \$ | \$ | \$ | \$ | \$ | \$ | |
| Investments..... | | | | | | | | |
| Receivables: | | | | | | | | |
| Intergovernmental..... | | 91 | | | | | | |
| Other..... | 26,154 | 23,990 | 980 | 2,414 | 45,000 | | 6,364 | |
| Due from other funds..... | | | | | | | | |
| Other..... | | | | | | | | |
| TOTAL ASSETS..... | \$ 38,693 | \$ 24,081 | \$ 980 | \$ 2,414 | \$ 45,000 | \$ | \$ 6,364 | |
| LIABILITIES | | | | | | | | |
| Accounts payable..... | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Accrued payroll..... | | | | | | | | |
| Due to other funds..... | 4,650 | | | | | | | |
| Unearned revenue..... | | | | | | | | |
| TOTAL LIABILITIES..... | 4,650 | - | - | - | - | - | - | |
| FUND BALANCES | | | | | | | | |
| Nonspendable..... | | | | | | | | |
| Restricted..... | 34,043 | 24,081 | | | | | 6,364 | |
| Committed..... | | | | | | | | |
| Assigned..... | | | 980 | 2,414 | 45,000 | | | |
| Unassigned..... | | | | | | | | |
| TOTAL FUND BALANCES..... | 34,043 | 24,081 | 980 | 2,414 | 45,000 | \$ | 6,364 | |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 38,693 | \$ 24,081 | \$ 980 | \$ 2,414 | \$ 45,000 | \$ | \$ 6,364 | |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | SPECIAL REVENUE FUNDS | | | | | | |
|-------------------------------------------------|------------------------|------------------------|-------------------|------------------|-----------------|--------------|--------------|
| | PUBLIC WORKS STATE AID | EAST HAVEN KENNEL CLUB | SMALL CITIES | DOG LICENSES | SENIOR CENTER | TEEN CENTER | |
| ASSETS | | | | | | | |
| Cash..... | \$ | \$ | \$ 131,372 | \$ | \$ 8,575 | \$ | |
| Investments..... | | | | | | | |
| Receivables: | | | | | | | |
| Intergovernmental..... | | | | 605 | | | |
| Other..... | | 44,674 | | 10,878 | | | 5,853 |
| Due from other funds..... | 183,797 | | | | | | |
| Other..... | | | | | | | |
| TOTAL ASSETS..... | \$ 183,797 | \$ 44,674 | \$ 131,372 | \$ 11,483 | \$ 8,575 | \$ | 5,853 |
| LIABILITIES | | | | | | | |
| Accounts payable..... | \$ 869 | \$ 5,038 | \$ | \$ 268 | \$ | \$ | |
| Accrued payroll..... | | | | | | | |
| Due to other funds..... | | | | | | | |
| Unearned revenue..... | | | | | | | |
| TOTAL LIABILITIES..... | 869 | 5,038 | - | 268 | - | - | - |
| FUND BALANCES | | | | | | | |
| Nonspendable..... | | | | | | | |
| Restricted..... | | | 131,372 | | | | |
| Committed..... | | | | | 8,575 | | |
| Assigned..... | 182,928 | 39,636 | | 11,215 | | | 5,853 |
| Unassigned..... | | | | | | | |
| TOTAL FUND BALANCES..... | 182,928 | 39,636 | 131,372 | 11,215 | 8,575 | 5,853 | 5,853 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 183,797 | \$ 44,674 | \$ 131,372 | \$ 11,483 | \$ 8,575 | \$ | 5,853 |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| SPECIAL REVENUE FUNDS | | | | | |
|-------------------------------------------------|--------------------------------|-----------------------|---------------------------------|-----------------|------------------------|
| | HAGAMAN MEMORIAL LIBRARY | HEALTH AND WELFARE | EMERGENCY MANAGEMENT FUND | DAYCARE | ATHLETIC DEPARTMENT |
| ASSETS | | | | | |
| Cash..... | \$ 116,472 | \$ 4 | \$ | \$ 1,832 | \$ 10,982 |
| Investments..... | | | | | |
| Receivables: | | | | | |
| Intergovernmental..... | | | 195 | | |
| Other..... | | 215,886 | | | |
| Due from other funds..... | | | | | |
| Other..... | | | | | |
| TOTAL ASSETS..... | \$ 116,472 | \$ 215,890 | \$ 195 | \$ 1,832 | \$ 10,982 |
| LIABILITIES | | | | | |
| Accounts payable..... | | \$ 47,585 | \$ | \$ | \$ |
| Accrued payroll..... | | | | 15,554 | |
| Due to other funds..... | | | | 24,799 | |
| Unearned revenue..... | 653 | | | | |
| TOTAL LIABILITIES..... | 653 | 47,585 | - | 40,353 | - |
| FUND BALANCES | | | | | |
| Nonspendable..... | | | | | |
| Restricted..... | | | 195 | | |
| Committed..... | | | | | |
| Assigned..... | 115,819 | 168,305 | | (38,521) | 10,982 |
| Unassigned..... | | | | | |
| TOTAL FUND BALANCES..... | 115,819 | 168,305 | 195 | (38,521) | 10,982 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 116,472 | \$ 215,890 | \$ 195 | \$ 1,832 | \$ 10,982 |

(Continued)

SCHEDULE 2
(4 of 6)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| SPECIAL REVENUE FUNDS | | | | | |
|--------------------------------------------------|--------------------|-------------------|------------------|---------------------|-----------------------------|
| | HIGH SCHOOL RENTAL | SCHOOL LUNCH | ADULT EDUCATION | EDUCATION GRANTS | TOTAL SPECIAL REVENUE FUNDS |
| ASSETS | | | | | |
| Cash..... | \$ 254,858 | \$ 8,044 | \$ 58,216 | \$ 2,546,993 | \$ 3,149,887 |
| Investments..... | 1,029 | | | | 1,029 |
| Receivables: | | | | | |
| Intergovernmental..... | | 135,999 | | 421,389 | 557,388 |
| Other..... | | | | | 696 |
| Due from other funds..... | | | | | 566,185 |
| Other..... | 3,415 | 36,285 | | | 39,700 |
| TOTAL ASSETS | \$ 259,302 | \$ 180,328 | \$ 58,216 | \$ 2,968,382 | \$ 4,314,885 |
| LIABILITIES | | | | | |
| Accounts payable..... | | \$ 44,365 | \$ | \$ 443,207 | \$ 541,332 |
| Accrued payroll..... | | | | 356,666 | 372,220 |
| Due to other funds..... | 810 | 51,331 | | 280,125 | 357,065 |
| Unearned revenue..... | | 13,728 | | 1,172,786 | 1,191,817 |
| TOTAL LIABILITIES | 810 | 109,424 | - | 2,252,784 | 2,462,434 |
| FUND BALANCES | | | | | |
| Nonspendable..... | | | | | - |
| Restricted..... | 258,492 | 70,904 | 58,216 | 715,598 | 583,667 |
| Committed..... | | | | | 724,173 |
| Assigned..... | | | | | 583,132 |
| Unassigned..... | | | | | (38,521) |
| TOTAL FUND BALANCES | 258,492 | 70,904 | 58,216 | 715,598 | 1,852,451 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 259,302 | \$ 180,328 | \$ 58,216 | \$ 2,968,382 | \$ 4,314,885 |

(Continued)

SCHEDULE 2
(5 of 6)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | CAPITAL PROJECTS | | | |
|-------------------------------------------------|-----------------------------------------------|------------------|-----------------------------|------------------------------|
| | LOCAL TRANSPORTATION CAPITAL PROGRAM | LOCIP | LOCIP TOWN CLERK FEES | TOTAL CAPITAL PROJECTS |
| ASSETS | | | | |
| Cash..... | \$ 251,682 | \$ | \$ | \$ 251,682 |
| Investments..... | | | | - |
| Receivables: | | | | |
| Intergovernmental..... | | | | - |
| Other..... | | | 51 | 51 |
| Due from other funds..... | | | 130,999 | 130,999 |
| Other..... | | | | - |
| TOTAL ASSETS..... | \$ 251,682 | \$ - | \$ 131,050 | \$ 382,732 |
| LIABILITIES | | | | |
| Accounts payable..... | \$ 18,500 | \$ | \$ | \$ 18,500 |
| Accrued payroll..... | | | | - |
| Due to other funds..... | | 176,024 | | 176,024 |
| Unearned revenue..... | | | | - |
| TOTAL LIABILITIES..... | 18,500 | 176,024 | - | 194,524 |
| FUND BALANCES | | | | |
| Nonspendable..... | | | | - |
| Restricted..... | 233,182 | | 131,050 | 364,232 |
| Committed..... | | | | - |
| Assigned..... | | (176,024) | | - |
| Unassigned..... | | | | (176,024) |
| TOTAL FUND BALANCES..... | 233,182 | (176,024) | 131,050 | 188,208 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 251,682 | \$ - | \$ 131,050 | \$ 382,732 |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | PERMANENT FUNDS | | | | | TOTAL |
|-------------------------------------------------|-------------------------------------|------------------|--------------------------|----------------------------|---------------------------|---------------------|
| | J. WOODWARD THOMPSON EDUCATION FUND | LIBRARY FUND | LIBRARY BUILDING PROJECT | ISAAC HAGAMAN LIBRARY FUND | A. J. BERMAN LIBRARY FUND | |
| Cash..... | \$ 426,487 | \$ 18,813 | \$ 12,119 | \$ 1,281,955 | \$ 30,640 | \$ 3,432,501 |
| Investments..... | | | | | | 1,740,111 |
| Receivables: | | | | | | |
| Intergovernmental..... | | | | | | 557,388 |
| Other..... | | | | | | 747 |
| Due from other funds..... | | | | | | 697,184 |
| Other..... | | | | | | 39,700 |
| TOTAL ASSETS..... | \$ 426,487 | \$ 18,813 | \$ 12,119 | \$ 1,281,955 | \$ 30,640 | \$ 6,467,631 |
| LIABILITIES | | | | | | |
| Accounts payable..... | | | | | | \$ 559,832 |
| Accrued payroll..... | | | | | | 372,220 |
| Due to other funds..... | | | | | | 533,089 |
| Unearned revenue..... | | | | | | 1,191,817 |
| TOTAL LIABILITIES..... | - | - | - | - | - | 2,656,958 |
| FUND BALANCES | | | | | | |
| Nonspendable..... | | | | | | 100,000 |
| Restricted..... | 426,487 | 18,813 | 12,119 | 1,181,955 | 30,640 | 2,617,913 |
| Committed..... | | | | | | 724,173 |
| Assigned..... | | | | | | 583,132 |
| Unassigned..... | | | | | | (214,545) |
| TOTAL FUND BALANCES..... | 426,487 | 18,813 | 12,119 | 1,281,955 | 30,640 | 3,810,673 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 426,487 | \$ 18,813 | \$ 12,119 | \$ 1,281,955 | \$ 30,640 | \$ 6,467,631 |

(Concluded)

TOWN OF EAST HAVEN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | SPECIAL REVENUE FUNDS | | | | | | |
|---------------------------------------------------------------|-----------------------|-----------------------------------|----------------------|------------------|------------------|--------------------|---------------------------|
| | PUBLIC SAFETY | HISTORICAL DOCUMENTS PRESERVATION | ECONOMIC DEVELOPMENT | TOWN POOL REPAIR | OPEN SPACE | WORKFORCE ALLIANCE | MARINE ENFORCEMENT GRANTS |
| REVENUES: | | | | | | | |
| Charges for services..... | \$ 24,932 | \$ 15,203 | \$ | \$ 864 | \$ | \$ 22,058 | \$ |
| Intergovernmental..... | | 5,000 | | | | | |
| Investment income..... | | | | | | | |
| Change in fair value of investments..... | 1,470 | | | | | | |
| Contributions..... | | | | | | | |
| TOTAL REVENUES..... | 26,402 | 20,203 | - | 864 | - | 22,058 | - |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government..... | | | | | | | |
| Public safety..... | 12,438 | 17,535 | | | | | |
| Public works..... | | | | | | | |
| Culture and recreation..... | | | | 657 | | 22,058 | |
| Health and welfare..... | | | | | | | |
| Education..... | | | | | | | |
| Capital outlay..... | | | | | | | |
| TOTAL EXPENDITURES..... | 12,438 | 17,535 | - | 657 | - | 22,058 | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 13,964 | 2,668 | - | 207 | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in..... | | | | | | | |
| Transfers out..... | | | | | | | |
| NET OTHER FINANCING SOURCES (USES)..... | - | - | - | - | - | - | - |
| NET CHANGE IN FUND BALANCES..... | 13,964 | 2,668 | - | 207 | - | - | - |
| FUND BALANCES, JULY 1, 2017..... | 20,079 | 21,413 | 980 | 2,207 | 45,000 | - | 6,364 |
| FUND BALANCES, JUNE 30, 2018..... | \$ 34,043 | \$ 24,081 | \$ 980 | \$ 2,414 | \$ 45,000 | \$ - | \$ 6,364 |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | SPECIAL REVENUE FUNDS | | | |
|--------------------------------------------------------|------------------------|------------------------|-------------------|------------------|
| | PUBLIC WORKS STATE AID | EAST HAVEN KENNEL CLUB | SMALL CITIES | DOG LICENSES |
| REVENUES: | | | | |
| Charges for services..... | \$ | \$ | \$ | \$ |
| Intergovernmental..... | 444,235 | 43,241 | 588,609 | 12,723 |
| Investment income..... | | | | |
| Change in fair value of investments..... | | | | |
| Contributions..... | | | | |
| TOTAL REVENUES..... | 444,235 | 43,241 | 588,609 | 12,723 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | | 21,375 | | 13,613 |
| Public safety..... | | | | |
| Public works..... | 569,420 | | 523,497 | |
| Culture and recreation..... | | | | |
| Health and welfare..... | | | | |
| Education..... | | | | |
| Capital outlay..... | | | | |
| TOTAL EXPENDITURES..... | 569,420 | 21,375 | 523,497 | 13,613 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (125,185) | 21,866 | 65,112 | (890) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in..... | 1,000 | | | (1,000) |
| Transfers out..... | | | | |
| NET OTHER FINANCING SOURCES (USES)..... | - | 1,000 | - | (1,000) |
| NET CHANGE IN FUND BALANCES..... | (125,185) | 22,866 | 65,112 | (1,890) |
| FUND BALANCES, JULY 1, 2017..... | 308,113 | 16,770 | 66,260 | 13,105 |
| FUND BALANCES, JUNE 30, 2018..... | \$ 182,928 | \$ 39,636 | \$ 131,372 | \$ 11,215 |

(Continued)

SCHEDULE 3
(3 of 6)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | SPECIAL REVENUE FUNDS | | | | | EMERGENCY MANAGEMENT FUND |
|-------------------------------------------------------------------|-----------------------|----------------|--------------------------------|-----------------------|----------|---------------------------------|
| | SENIOR CENTER | TEEN CENTER | HAGAMAN MEMORIAL LIBRARY | HEALTH AND WELFARE | | |
| REVENUES: | | | | | | |
| Charges for services..... | \$ | \$ | \$ | \$ | \$ | \$ |
| Intergovernmental..... | | | 61,565 | 160,561 | | |
| Investment income..... | | | 79,090 | 7,223 | | |
| Change in fair value of investments..... | | | 52,181 | | | |
| Contributions..... | | | | | | |
| TOTAL REVENUES..... | - | - | 192,836 | 167,784 | | - |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government..... | | | | | 59,956 | |
| Public safety..... | | | | | | |
| Public works..... | | | | | | |
| Culture and recreation..... | 165 | | 177,675 | 3,688 | 67,556 | |
| Health and welfare..... | | | | | | |
| Education..... | | | | | | |
| Capital outlay..... | | | | | | |
| TOTAL EXPENDITURES..... | 165 | - | 177,675 | 131,200 | | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (165) | - | 15,161 | 36,584 | | - |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Transfers in..... | | | | | (25,000) | |
| Transfers out..... | | | | | | |
| NET OTHER FINANCING SOURCES (USES)..... | - | - | - | (25,000) | | - |
| NET CHANGE IN FUND BALANCES..... | (165) | - | 15,161 | 11,584 | | - |
| FUND BALANCES, JULY 1, 2017..... | 8,740 | 5,853 | 100,658 | 156,721 | | 195 |
| FUND BALANCES, JUNE 30, 2018..... | \$ 8,575 | \$ 5,853 | \$ 115,819 | \$ 168,305 | | \$ 195 |

(Continued)

SCHEDULE 3
(4 of 6)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | SPECIAL REVENUE FUNDS | | | | | | | TOTAL SPECIAL REVENUE FUNDS |
|-------------------------------------------------------------------|-----------------------|------------------------|--------------------------|------------------|--------------------|---------------------|----|--------------------------------------|
| | DAYCARE | ATHLETIC DEPARTMENT | HIGH SCHOOL RENTAL | SCHOOL LUNCH | ADULT EDUCATION | EDUCATION GRANTS | | |
| REVENUES: | | | | | | | | |
| Charges for services..... | \$ 402,191 | \$ 63,145 | \$ 162,334 | \$ 693,731 | \$ 7,891 | \$ 129,134 | \$ | 2,341,192 |
| Intergovernmental..... | | | | 852,499 | | 5,145,204 | | 6,580,241 |
| Investment income..... | | | | | | | | 52,181 |
| Change in fair value of investments..... | | | | | | | | - |
| Contributions..... | | | | | | | | 1,470 |
| TOTAL REVENUES..... | 402,191 | 63,145 | 162,334 | 1,546,230 | 7,891 | 5,274,338 | | 8,975,084 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government..... | | | | | | | | 34,988 |
| Public safety..... | | | | | | | | 89,929 |
| Public works..... | | | | | | | | 1,092,917 |
| Culture and recreation..... | | | | | | | | 182,185 |
| Health and welfare..... | | | | | | | | 89,614 |
| Education..... | 395,707 | 71,690 | 93,126 | 1,260,311 | 3,491 | 5,126,827 | | 6,951,152 |
| Capital outlay..... | | | | | | | | - |
| TOTAL EXPENDITURES..... | 395,707 | 71,690 | 93,126 | 1,260,311 | 3,491 | 5,126,827 | | 8,440,785 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 6,484 | (8,545) | 69,208 | 285,919 | 4,400 | 147,511 | | 534,299 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in..... | | | | | | | | 1,000 |
| Transfers out..... | | | | | | | | (26,000) |
| NET OTHER FINANCING SOURCES (USES)..... | - | - | - | - | - | - | | (25,000) |
| NET CHANGE IN FUND BALANCES..... | 6,484 | (8,545) | 69,208 | 285,919 | 4,400 | 147,511 | | 509,299 |
| FUND BALANCES, JULY 1, 2017..... | (45,005) | 19,527 | 189,284 | (215,015) | 53,816 | 568,087 | | 1,343,152 |
| FUND BALANCES, JUNE 30, 2018..... | \$ (38,521) | \$ 10,982 | \$ 258,492 | \$ 70,904 | \$ 58,216 | \$ 715,598 | | \$ 1,852,451 |

(Continued)

SCHEDULE 3
(5 of 6)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | CAPITAL PROJECTS | | | | TOTAL CAPITAL PROJECTS FUNDS |
|-------------------------------------------------------------------|-----------------------------------------------|------------------|-----------------------------|-----------|---------------------------------------|
| | LOCAL TRANSPORTATION CAPITAL PROGRAM | LOCIP | LOCIP TOWN CLERK FEES | | |
| REVENUES: | | | | | |
| Charges for services..... | \$ 655,000 | \$ 161,822 | \$ 11,769 | \$ | 11,769 |
| Intergovernmental..... | | | | | 816,822 |
| Investment income..... | | | | | - |
| Change in fair value of investments..... | | | | | - |
| Contributions..... | | | | | - |
| TOTAL REVENUES..... | 655,000 | 161,822 | 11,769 | \$ | 828,591 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | | | | | - |
| Public safety..... | | | | | - |
| Public works..... | 421,818 | | | | 421,818 |
| Culture and recreation..... | | | | | - |
| Health and welfare..... | | | | | - |
| Education..... | | | | | - |
| Capital outlay..... | | 337,846 | | | 337,846 |
| TOTAL EXPENDITURES..... | 421,818 | 337,846 | - | \$ | 759,664 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 233,182 | (176,024) | 11,769 | \$ | 68,927 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in..... | | | | | - |
| Transfers out..... | | | | | - |
| NET OTHER FINANCING SOURCES (USES)..... | - | - | - | \$ | - |
| NET CHANGE IN FUND BALANCES..... | 233,182 | (176,024) | 11,769 | \$ | 68,927 |
| FUND BALANCES, JULY 1, 2017..... | - | - | 119,281 | \$ | 119,281 |
| FUND BALANCES, JUNE 30, 2018..... | 233,182 | (176,024) | 131,050 | \$ | 188,208 |

(Continued)

TOWN OF EAST HAVEN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

| | PERMANENT FUNDS | | | | | | TOTAL |
|---------------------------------------------------------------|-------------------------------------|------------------|--------------------------|----------------------------|---------------------------|-----------------------|---------------------|
| | J. WOODWARD THOMPSON EDUCATION FUND | LIBRARY FUND | LIBRARY BUILDING PROJECT | ISAAC HAGAMAN LIBRARY FUND | A. J. BERMAN LIBRARY FUND | TOTAL PERMANENT FUNDS | |
| REVENUES: | | | | | | | |
| Charges for services..... | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Intergovernmental..... | | | | | | | |
| Investment income..... | | 53 | | 11,423 | 180 | 11,656 | 63,837 |
| Change in fair value of investments..... | | | | 90,376 | 3,305 | 93,681 | 93,681 |
| Contributions..... | 4,375 | 1,380 | 1,278 | 665 | | 7,698 | 9,168 |
| TOTAL REVENUES..... | 4,375 | 1,433 | 1,278 | 102,464 | 3,485 | 113,035 | 9,916,710 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government..... | | | | | | | 34,988 |
| Public safety..... | | | | | | | 89,929 |
| Public works..... | | | | | | | 1,514,735 |
| Culture and recreation..... | | 380 | 6,289 | 49,394 | | 56,063 | 238,248 |
| Health and welfare..... | | | | | | | 89,614 |
| Education..... | | | | | | | 6,951,152 |
| Capital outlay..... | | | | | | | 337,846 |
| TOTAL EXPENDITURES..... | - | 380 | 6,289 | 49,394 | - | 56,063 | 9,256,512 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | 4,375 | 1,053 | (5,011) | 53,070 | 3,485 | 56,972 | 660,198 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in..... | | | | | | | 1,000 |
| Transfers out..... | | | | | | | (26,000) |
| NET OTHER FINANCING SOURCES (USES)..... | - | - | - | - | - | - | (25,000) |
| NET CHANGE IN FUND BALANCES..... | 4,375 | 1,053 | (5,011) | 53,070 | 3,485 | 56,972 | 635,198 |
| FUND BALANCES, JULY 1, 2017..... | 422,112 | 17,760 | 17,130 | 1,228,885 | 27,155 | 1,713,042 | 3,175,475 |
| FUND BALANCES, JUNE 30, 2018..... | \$ 426,487 | \$ 18,813 | \$ 12,119 | \$ 1,281,955 | \$ 30,640 | \$ 1,770,014 | \$ 3,810,673 |

(Concluded)

Internal Service Funds

Internal Service Funds are used to account for the providing of goods or services provided by one department to other departments of the Town on a cost reimbursement basis or accounting for risk retention as allowed by GASB Statement No. 10.

Self-Insurance Fund

To account for the resources used to pay various claims and judgments.

Workers' Compensation Fund

To account for the resources used to pay workers' compensation claims for the Town.

Medical Insurance Fund

To account for self-insured medical benefits for Town employees.

TOWN OF EAST HAVEN, CONNECTICUT

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF FUND NET POSITION
 JUNE 30, 2018

| | SELF- INSURANCE FUND | WORKERS' COMPENSATION FUND | MEDICAL INSURANCE FUND | TOTAL |
|---------------------------------------|----------------------------|----------------------------------|------------------------------|-------------------|
| <u>ASSETS</u> | | | | |
| Current assets: | | | | |
| Cash..... | \$ | \$ | \$ 934,680 | \$ 934,680 |
| Investments..... | 979,890 | | | 979,890 |
| Accounts receivable..... | | | 511,860 | 511,860 |
| Due from other funds..... | | 4,285,110 | 6,301,940 | 10,587,050 |
| Other..... | | 107,619 | | 107,619 |
| TOTAL ASSETS..... | 979,890 | 4,392,729 | 7,748,480 | 13,121,099 |
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Claims and judgments payable..... | 300,000 | 3,525,950 | 1,192,000 | 5,017,950 |
| Due to other funds..... | 813,603 | | | 813,603 |
| Total current liabilities..... | 1,113,603 | 3,525,950 | 1,192,000 | 5,831,553 |
| Noncurrent liability: | | | | |
| Claims and judgments payable..... | 1,984,543 | 5,419,127 | | 7,403,670 |
| TOTAL LIABILITIES..... | 3,098,146 | 8,945,077 | 1,192,000 | 13,235,223 |
| <u>NET POSITION</u> | | | | |
| Unrestricted..... | \$ (2,118,256) | \$ (4,552,348) | \$ 6,556,480 | \$ (114,124) |

TOWN OF EAST HAVEN, CONNECTICUT

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

| | SELF- INSURANCE FUND | WORKERS' COMPENSATION FUND | MEDICAL INSURANCE FUND | TOTAL |
|------------------------------------------------|----------------------------|----------------------------------|------------------------------|---------------------|
| OPERATING REVENUES: | | | | |
| Charges for services..... | \$ 29,604 | \$ 2,087,584 | \$ 15,198,576 | \$ 17,315,764 |
| OPERATING EXPENSES: | | | | |
| Claims..... | (181,058) | (155,118) | 11,945,610 | 11,609,434 |
| Administration..... | | - | 2,802,057 | 2,802,057 |
| TOTAL OPERATING EXPENSES..... | (181,058) | (155,118) | 14,747,667 | 14,411,491 |
| OPERATING INCOME (LOSS)..... | 210,662 | 2,242,702 | 450,909 | 2,904,273 |
| NONOPERATING REVENUES: | | | | |
| Investment income..... | - | - | 3,236 | 3,236 |
| CHANGE IN NET POSITION..... | 210,662 | 2,242,702 | 454,145 | 2,907,509 |
| TOTAL NET POSITION - JULY 1, 2017..... | (2,328,918) | (6,795,050) | 6,102,335 | (3,021,633) |
| TOTAL NET POSITION - JUNE 30, 2018..... | \$ (2,118,256) | \$ (4,552,348) | \$ 6,556,480 | \$ (114,124) |

TOWN OF EAST HAVEN, CONNECTICUTINTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

| | SELF- INSURANCE FUND | WORKERS' COMPENSATION FUND | MEDICAL INSURANCE FUND | TOTAL |
|----------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------|------------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Premiums received..... | \$ 29,604 | \$ 1,287,206 | \$ 13,309,001 | \$ 14,625,811 |
| Payments to vendors..... | | | (2,802,057) | (2,802,057) |
| Payments for claims..... | 158,970 | (1,287,206) | (11,815,610) | (12,943,846) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | 188,574 | - | (1,308,666) | (1,120,092) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Income on investments..... | | | 3,236 | 3,236 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..... | 188,574 | - | (1,305,430) | (1,116,856) |
| CASH AND CASH EQUIVALENTS - JULY 1, 2017..... | 791,316 | | 2,240,110 | 3,031,426 |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2018..... | <u>\$ 979,890</u> | <u>\$ -</u> | <u>\$ 934,680</u> | <u>\$ 1,914,570</u> |
| RECONCILIATION TO STATEMENT OF FUND NET POSITION CASH: | | | | |
| Cash and cash equivalents per above..... | \$ 979,890 | \$ - | \$ 934,680 | \$ 1,914,570 |
| Cash and cash equivalents reported as investments..... | (979,890) | | | (979,890) |
| STATEMENT OF NET POSITION CASH..... | \$ - | \$ - | \$ 934,680 | \$ 934,680 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | |
| Operating income (loss)..... | \$ 210,662 | \$ 2,242,702 | \$ 450,909 | \$ 2,904,273 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable..... | | | (194,782) | (194,782) |
| Due from other funds..... | 158,970 | (805,084) | (1,694,793) | (2,340,907) |
| Other asset..... | | 4,706 | | 4,706 |
| Increase (decrease) in: | | | | |
| Claims and judgments payable..... | (181,058) | (1,442,324) | 130,000 | (1,493,382) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..... | \$ 188,574 | \$ - | \$ (1,308,666) | \$ (1,120,092) |

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

PRIVATE-PURPOSE TRUST FUNDS

Shinder Scholarship Fund

To account for the named scholarship fund activity.

Patsy Dilungo Scholarship Fund

To account for the named scholarship fund activity.

Scholarship Fund

To account for general scholarship fund activity.

CUSTODIAL FUNDS

Student Activities

These funds are used to control various activities as defined by State Statutes undertaken by students of the public school system.

TOWN OF EAST HAVEN, CONNECTICUT

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018

| | <u>PRIVATE-PURPOSE TRUST FUNDS</u> | | | |
|---------------------------------|------------------------------------|-----------------------------------------|---------------------|---------------------------------------------|
| | SHINDER SCHOLARSHIP FUND | PATSY DILUNGO SCHOLARSHIP FUND | SCHOLARSHIP FUND | TOTAL PRIVATE- PURPOSE TRUST FUNDS |
| <u>ASSETS</u> | | | | |
| Cash..... | \$ - | \$ 26,313 | \$ 27,249 | \$ 53,562 |
| Investments..... | 39,131 | - | 26,781 | 65,912 |
| TOTAL ASSETS..... | <u>\$ 39,131</u> | <u>\$ 26,313</u> | <u>\$ 54,030</u> | <u>\$ 119,474</u> |
| <u>NET POSTION</u> | | | | |
| Restricted for individuals..... | <u>\$ 39,131</u> | <u>\$ 26,313</u> | <u>\$ 54,030</u> | <u>\$ 119,474</u> |

TOWN OF EAST HAVEN, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

| | PRIVATE-PURPOSE TRUST FUNDS | | | |
|-----------------------------------------------------|--------------------------------|-----------------------------------------|---------------------|---------------------------------------------|
| | SHINDER SCHOLARSHIP FUND | PATSY DILUNGO SCHOLARSHIP FUND | SCHOLARSHIP FUND | TOTAL PRIVATE- PURPOSE TRUST FUNDS |
| ADDITIONS: | | | | |
| Interest and dividends..... | \$ - | \$ - | \$ 38 | \$ 38 |
| DEDUCTIONS: | | | | |
| Scholarships awarded..... | 1,926 | 997 | - | 2,923 |
| CHANGE IN NET POSITION..... | (1,926) | (997) | 38 | (2,885) |
| TOTAL NET POSITION, JULY 1, 2017 (AS RESTATED)..... | 41,057 | 27,310 | 53,992 | 122,359 |
| TOTAL NET POSITION, JUNE 30, 2018..... | \$ 39,131 | \$ 26,313 | \$ 54,030 | \$ 119,474 |

**Trend
Data**

TOWN OF EAST HAVEN, CONNECTICUT

NET POSITION BY COMPONENT
LAST TEN YEARS
(UNAUDITED)

| | FOR THE FISCAL YEAR | | | | | | | | | |
|---------------------------------------|------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2016 | 2015 (as restated) | 2014 | 2013 | 2012 | 2011 | 2010 (1) | 2009 |
| Net investment in capital assets..... | \$ 56,763,497 | \$ 54,831,555 | \$ 54,687,757 | \$ 54,538,832 | \$ 52,762,397 | \$ 51,037,398 | \$ 48,709,002 | \$ 44,377,039 | \$ 35,996,442 | \$ 36,790,597 |
| Restricted for: | | | | | | | | | | |
| Endowments: | | | | | | | | | | |
| Nonexpendable..... | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Expendable..... | 1,670,014 | 1,613,042 | 1,528,957 | 1,616,073 | 1,674,276 | 1,567,686 | 1,669,073 | 1,877,310 | 1,701,821 | 1,729,333 |
| General government..... | 161,817 | 402,150 | 167,226 | 224,418 | 69,256 | 210,138 | 16,228 | 22,348 | 51,918 | |
| Health and welfare..... | 364,232 | | | | | | | | | |
| Capital replacement..... | 34,238 | 20,274 | 28,236 | 25,076 | 21,975 | 50,702 | 40,216 | 61,789 | 82,460 | |
| Public safety..... | | | | | | | 62,109 | 110,505 | 87,883 | |
| Public works..... | | | | | | | 142,268 | 99,547 | 59,809 | |
| Education..... | 387,612 | 243,100 | 171,937 | 132,147 | 81,604 | 74,143 | | | | |
| Unrestricted..... | (107,914,448) | (24,041,765) | (29,130,547) | (24,899,555) | (32,618,468) | (20,675,727) | (14,803,563) | (8,086,441) | (7,633,521) | (30,438) |
| TOTAL NET POSITION..... | \$ (48,433,038) | \$ 33,168,356 | \$ 27,553,566 | \$ 31,736,991 | \$ 22,091,040 | \$ 32,364,340 | \$ 35,935,333 | \$ 38,562,097 | \$ 30,446,812 | \$ 38,589,492 |

(1) Net position components restated from fiscal year 2010.

TOWN OF EAST HAVEN, CONNECTICUT

CHANGES IN NET POSITION
LAST TEN YEARS
(UNAUDITED)

| | FOR THE FISCAL YEAR | | | | | | | | | |
|----------------------------------------------------------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| EXPENSES: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government..... | \$ 5,902,565 | \$ 4,420,083 | \$ 4,573,742 | \$ 4,487,048 | \$ 4,569,185 | \$ 5,554,632 | \$ 5,239,574 | \$ 5,646,738 | \$ 5,905,126 | \$ 7,585,922 |
| Public safety..... | 21,779,488 | 14,930,997 | 20,167,431 | 19,419,729 | 20,060,343 | 21,286,890 | 19,531,501 | 14,694,490 | 13,668,386 | 13,860,530 |
| Public works..... | 9,146,349 | 7,896,236 | 9,284,044 | 8,361,845 | 8,836,442 | 9,403,321 | 9,957,576 | 9,312,188 | 10,402,985 | 9,799,512 |
| Culture and recreation..... | 2,486,665 | 2,416,107 | 2,514,190 | 2,531,765 | 2,419,910 | 2,480,332 | 2,538,126 | 2,707,752 | 2,670,130 | 2,969,521 |
| Health and welfare..... | 1,516,168 | 1,428,002 | 1,486,625 | 1,302,182 | 1,662,460 | 1,963,182 | 1,988,889 | 2,736,590 | 2,433,413 | 2,510,330 |
| Education..... | 62,720,637 | 67,507,850 | 65,203,368 | 60,805,829 | 62,587,934 | 57,965,388 | 58,978,842 | 55,340,891 | 57,924,242 | 57,168,425 |
| Interest expense..... | 998,456 | 944,761 | 1,158,231 | 1,467,224 | 1,752,349 | 1,812,284 | 2,124,579 | 2,201,822 | 2,450,938 | 2,163,201 |
| TOTAL EXPENSES..... | 104,550,328 | 99,544,036 | 104,387,631 | 98,375,622 | 101,888,623 | 100,466,029 | 100,359,087 | 92,640,471 | 95,455,220 | 96,057,441 |
| PROGRAM REVENUES: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government..... | 470,579 | 490,447 | 493,847 | 501,595 | 404,022 | 819,450 | 799,212 | 981,806 | 994,031 | 1,005,818 |
| Public safety..... | 770,094 | 580,678 | 768,586 | 855,473 | 597,263 | 715,801 | 715,801 | 651,684 | 864,981 | 717,495 |
| Public works..... | 893,607 | 300,614 | 299,185 | 265,860 | 256,565 | 253,482 | 211,734 | 164,944 | 174,740 | 177,137 |
| Culture and recreation..... | 455,050 | 500,631 | 497,181 | 497,191 | 495,828 | 439,414 | 443,601 | 599,630 | 563,289 | 554,137 |
| Health and welfare..... | 398,448 | 307,195 | 298,403 | 246,843 | 323,616 | 222,330 | 223,679 | 292,526 | 327,637 | 239,590 |
| Education..... | 1,458,426 | 1,140,545 | 1,116,049 | 1,244,761 | 2,465,337 | 1,699,666 | 1,661,315 | 1,677,875 | 1,817,360 | 709,799 |
| Operating grants and contributions..... | 35,024,622 | 34,998,871 | 30,819,650 | 29,716,676 | 30,937,361 | 28,911,829 | 29,707,082 | 26,793,155 | 27,083,953 | 27,325,227 |
| Capital grants and contributions..... | 918,061 | 57,206 | 331,519 | 331,519 | 639,485 | 789,422 | 1,178,046 | 4,791,019 | 1,924,549 | 508,202 |
| TOTAL PROGRAM REVENUES..... | 40,388,887 | 38,376,187 | 34,624,420 | 33,659,918 | 36,078,609 | 33,732,856 | 34,940,470 | 35,952,639 | 33,750,540 | 31,237,405 |
| NET REVENUE (EXPENSES)..... | (64,161,441) | (61,167,849) | (69,763,211) | (64,715,704) | (65,804,611) | (66,733,173) | (65,418,617) | (56,687,832) | (61,704,680) | (64,820,036) |
| GENERAL REVENUES AND OTHER CHANGES IN NET POSITION: | | | | | | | | | | |
| Property taxes..... | 63,012,604 | 64,860,332 | 64,515,021 | 64,585,031 | 62,223,623 | 61,295,638 | 61,176,525 | 61,534,772 | 51,739,961 | 50,750,056 |
| Grants and contributions not restricted to specific programs..... | 544,213 | 1,470,420 | 897,510 | 1,039,493 | 990,995 | 1,180,008 | 1,262,527 | 924,343 | 956,185 | 1,671,362 |
| Investment income..... | 407,992 | 373,983 | 43,120 | 147,232 | 313,667 | 237,361 | 96,601 | 378,759 | 270,295 | (316,533) |
| Gain on sale of assets..... | - | - | - | - | - | - | - | 1,672,168 | - | - |
| Other..... | 358,507 | 77,904 | 124,135 | 129,870 | 186,932 | 449,173 | 256,200 | 293,075 | 595,559 | 1,022,800 |
| TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET POSITION..... | 64,323,316 | 66,782,639 | 65,579,786 | 65,901,626 | 63,715,217 | 63,162,180 | 62,791,853 | 64,803,117 | 53,562,000 | 53,127,685 |
| CHANGE IN NET POSITION..... | \$ 161,875 | \$ 5,614,790 | \$ (4,183,425) | \$ 1,185,922 | \$ (2,089,394) | \$ (3,570,993) | \$ (2,626,764) | \$ 8,115,285 | \$ (8,142,680) | \$ (11,692,351) |

TOWN OF EAST HAVEN, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)

| | |
|------------------------------------------------------------------------------|----------------------|
| Tax Base: | |
| Total tax collections (including interest and lien fees) for prior year..... | \$ 63,716,339 |
| Reimbursement for revenue loss on: | |
| Tax relief for elderly freeze..... | <u>4,000</u> |
| Base for Debt Limitation Computation..... | <u>\$ 63,720,339</u> |

| | GENERAL PURPOSES | SCHOOLS | SEWERS | URBAN RENEWAL | PENSION DEFICIT |
|---------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| DEBT LIMITATION: | | | | | |
| 2 1/4 times base..... | \$ 143,370,763 | \$ | \$ | \$ | \$ |
| 4 1/2 times base..... | | 286,741,526 | | | |
| 3 3/4 times base..... | | | 238,951,271 | | |
| 3 1/4 times base..... | | | | 207,091,102 | |
| 3 times base..... | | | | | <u>191,161,017</u> |
| TOTAL DEBT LIMITATION..... | 143,370,763 | 286,741,526 | 238,951,271 | 207,091,102 | 191,161,017 |
| INDEBTEDNESS: | | | | | |
| Bonds payable..... | 19,654,099 | 4,735,901 | - | - | - |
| DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT..... | | | | | |
| | <u>\$ 123,716,664</u> | <u>\$ 282,005,625</u> | <u>\$ 238,951,271</u> | <u>\$ 207,091,102</u> | <u>\$ 191,161,017</u> |

(1) The total of the above net indebtedness amounts to: \$ 24,390,000

In no event shall total indebtedness exceed seven times the base for debt limitation computation. \$ 446,042,373

(2) There is no overlapping debt for the Town of East Haven.