



## **Independent Auditors' Report**

Honorable Mayor and Members of the Town Council  
Town of East Hartford, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hartford, Connecticut, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hartford, Connecticut, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-10 and budgetary comparison information on pages A-49 through A-52 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Blum, Shapiro & Company, P.C.*

December 15, 2008

**TOWN OF EAST HARTFORD, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

This discussion and analysis of the Town of East Hartford, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2008. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

**Financial Highlights**

- Net assets of our governmental activities decreased by \$9.7 million, or nearly 7.3%.
- During the year, the Town had expenses of \$219.6 million, including special item expenses of \$2.9 million, which were \$9.7 million less than the \$209.9 million generated in taxes, grants and other revenues for governmental programs.
- The total cost of all of the Town's programs, excluding special items, was \$216.7 million.
- The General Fund reported a total fund balance this year of \$15.2 million. The General Fund unreserved and undesignated component of fund balance decreased \$475 thousand to \$14.3 million as of June 30, 2008.
- The resources available for appropriation were \$1.2 million more than budgeted for the General Fund. Expenditures were kept within spending limits.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

In the statement of net assets and the statement of activities, the Town reports the following activities:

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

### **Fund Financial Statements**

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (like the Police Private Duty Fund and the Landfill Closure Fund) or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the Community Development Fund and the State and Federal Educational Grants Fund). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- **Governmental Funds (Exhibits III and IV)** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- **Proprietary Funds (Exhibits V, VI and VII)** - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Risk Management Internal Service Fund.
- **Fiduciary Funds (Exhibits VIII and IX)** - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **Government-Wide Financial Analysis**

The Town's combined net assets decreased from \$133.2 million to \$123.5 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**Table 1**  
**NET ASSETS**  
**(In Thousands)**

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 57,196	\$ 44,863
Capital assets, net of accumulated depreciation	165,029	166,380
Total assets	<u>222,225</u>	<u>211,243</u>
Long-term debt outstanding	88,349	69,380
Other liabilities	10,389	8,708
Total liabilities	<u>98,738</u>	<u>78,088</u>
Net Assets:		
Invested in capital assets, net of debt	130,943	134,170
Restricted	227	239
Unrestricted	<u>(7,683)</u>	<u>(1,254)</u>
Total Net Assets	<u>\$ 123,487</u>	<u>\$ 133,155</u>

Net assets of the Town's governmental activities decreased by \$9.7 million or 3.7% (\$133.2 million compared to \$123.5 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - totaled \$(7.7) million at June 30, 2008 compared to \$(1.3) million at June 30, 2007. Various contributing factors resulting in the decrease in net assets are discussed following Table 2.

**Table 2**  
**CHANGE IN NET ASSETS**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Revenues:		
Program revenues:		
Charges for services	\$ 9,975	\$ 8,804
Operating grants and contributions	90,525	60,149
Capital grants and contributions	644	1,330
General revenues:		
Property taxes	98,825	103,425
Grants and contributions not restricted to specific purposes	7,085	6,405
Unrestricted investment earnings	1,443	1,981
Other general revenues	1,405	329
Total revenues	<u>209,902</u>	<u>182,423</u>
Program expenses:		
General government	30,124	25,995
Public safety	26,300	25,293
Inspection and permits	669	659
Public works	16,344	12,374
Parks and recreation	4,032	3,950
Health and social services	3,437	3,167
Education	134,084	101,084
Interest on long-term debt	1,689	1,897
Total program expenses	<u>216,679</u>	<u>174,419</u>
Excess (deficiency) before special items	<u>(6,777)</u>	<u>8,004</u>
Special items:		
Road maintenance project		(3,311)
School building project transfer	(2,891)	
Total special items	<u>(2,891)</u>	<u>(3,311)</u>
Increase (Decrease) in Net Assets	<u>\$ (9,668)</u>	<u>\$ 4,693</u>

The Town's total revenues were \$209.9 million. The total cost of all programs and services was \$216.7 million. Our analysis below evaluates the operations of the Town's governmental activities:

The Town's overall decrease of \$9.7 million in net assets compared with an increase in net assets of \$4.7 million last year is attributable to many factors both in relation to full accrual activities on a government-wide basis as well as significant changes in results in operations, year over year, in the Town's General Fund and Internal Service Funds. Last year's increase in net assets included a combined \$4.9 million increase in the Town's General Fund and Internal Service Funds fund balance/net assets as compared with a combined decrease of \$1.3 million in 2008, representing a \$6.2 million decrease year over year. Actual revenues exceed budgetary estimates in the General Fund in 2007 by \$3.2 million compared with \$1.1 million in 2008. Additionally appropriations from fund balance increased to \$2.9 million in 2008 compared with \$640 thousand in 2007. The Town had unfavorable experiences in its self-insured risk management programs as compared with 2007 resulting in the use of existing net assets.

Another contributing factor to this year's decrease in net assets is a one time special item expense of \$2.9 million to account for the removal of previously capitalized architectural and planning costs on the East Hartford-Glastonbury magnet school project. During 2008, ownership of the State funded magnet school was transferred to the Town of Glastonbury as the Town of East Hartford was unable to approve a site for construction in Town.

This year's decrease in net assets also included for the first time an expense of \$6.3 million to accrue a liability, in accordance with GASB#45, for the difference between the actuarially determined annual recommended contribution to fund the Town's OPEB obligations and the actual funding provided by the Town in 2008.

The decrease in net assets also includes \$3.7 million of expenses attributable to road maintenance milling and repaving as part of two bonded project authorizations totaling \$24.5 million. In accordance with the Town's capitalization policy, the majority of these costs are considered maintenance costs and expensed as incurred.

The Town's program revenues increased \$27.5 million (\$209.9 million compared to \$182.4 million). Included in this year's total revenue was the recognition of \$32.3 million in operating grants and contributions for the State's contribution to the State Teachers Retirement Board (STRB) on behalf of Town teachers, compared with \$5.4 million in 2007. During 2008, the State's contribution to the STRB Plan on behalf of Town teachers was significantly higher due to the State's issuance of pension obligation bonds and transferring of those proceeds into the STRB Plan.

The total program expenses were \$216.7 million as compared with \$174.4 million reported last year. An amount equal to the State Teachers Retirement Board on-behalf contribution is reflected as an expense in the Education function as evidenced by the increase to \$134.1 million in the current year as compared to \$101.1 in the prior year. Additionally, the cost of all programs reflects a first time expense allocation of the \$6.3 million accrued obligation amount for other post employment benefits (OPEB).

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

**Table 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General government	\$ 30,124	\$ 25,995	\$ 28,334	\$ 24,156
Public safety	26,300	25,293	24,165	23,698
Public works	16,344	12,374	15,632	11,765
Parks and recreation	4,032	3,950	2,956	2,844
Education	134,084	101,084	42,361	39,881
All others	5,795	5,723	2,087	1,792
Totals	\$ <u>216,679</u>	\$ <u>174,419</u>	\$ <u>115,535</u>	\$ <u>104,136</u>

### **Town Funds Financial Analysis**

#### **Governmental Funds**

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$27.9 million, which is a \$10.9 million increase from last year's total of \$17.0 million. The Town's General Fund reported a decrease in fund balance of \$576 thousand. The Town's other governmental funds reported an increase in fund balances of \$853 thousand as the General Fund transferred in \$884 thousand to fund carry forward deficits in the Golf and Golf Capital improvement funds. The Town discontinued direct operation of the golf course during 2008 choosing to have the course run under a management contract lease to ensure a source of income from the Golf course and restrict the Town's exposure to operating deficits going forward.

The General Fund's budgetary revenue estimates were exceeded by \$1.2 million as reported in RSI-2. The Town's actual expenditures were \$1.2 million below amended budgetary estimates as reported in RSI-2. The combined positive budgetary results of operations nearly fully funded the \$2.9 million of additional expenditure appropriations from fund balance during 2008.

The Town's Capital Improvement Fund reported an increase in fund balance of \$10.7 million as bond issuance proceeds of \$14 million and capital lease financing proceeds of \$6.2 million were used to fund capital expenditures of \$11.2 million during the fiscal year ended June 30, 2008 and to provide funding for capital expenditures in fiscal year 2009.

The General Fund's original budget was amended during the year resulting in a net budgetary appropriation increase of \$2.9 million. Budgetary amendments provided increased expenditure authorizations to fund public works department utility, gasoline and overtime costs (\$525 thousand), transfers to fund the Golf and Golf Capital Improvement Fund deficits (\$884 thousand), local funding of capital improvement projects (\$523 thousand), local funding provided to the Capital lease fund to reduce future capital lease financing (\$725 thousand), building demolition (\$72 thousand) and design work for the levee repairs (\$126 thousand).

The Town's General Fund balance of \$15.2 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$14.3 million. This is principally because budgetary fund balance



does not include \$867 thousand of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At June 30, 2008, the Town had \$165.0 million, net of depreciation, invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment roads and bridges - Table 4. This amount represents a net decrease of \$1.4 million, or .8%, over last year.

**Table 4**  
**CAPITAL ASSETS**  
**(Net of Depreciation)**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 11,200	\$ 11,200
Buildings and improvements	66,409	68,648
Furniture, vehicles and equipment	8,096	7,272
Infrastructure	62,446	64,645
Construction in progress	16,878	14,615
Totals	<u>\$ 165,029</u>	<u>\$ 166,380</u>

This year's major additions included \$4.3 million for energy efficiency building improvements in 18 of the Town's and Board of Education's buildings. Prior expense included in construction in progress were decreased by \$2.9 million to account for a one-time special item expense resulting from the Town transferring ownership of the State funded magnet school to be constructed to the Town of Glastonbury.

The Town's FY 2008-2009 Adopted Capital Budget calls for it to spend up to \$19.3 million on various capital projects, including \$12.5 million for road and infrastructure improvements, \$3.1 million for levee related repairs, \$1.3 million for remediation of the Town's closed landfill, and \$1.2 million for various equipment needs including an automated waste truck, three dump trucks, three pick-up trucks, an excavator, a loader, three economy cars, a fire rescue boat, two public safety utility vehicles, and five police cruisers.

While the Approved Capital Budget called for \$12.5 million to be spent on road improvements, due to economic uncertainties, the referendum question sent to and approved by voters was for \$10 million.

With respect to the \$1.3 million estimate earmarked in the five-year capital improvement plan to remediate contaminants discovered at the Town's now closed landfill site, the Town is cooperatively working with the Connecticut State Department of Environmental Protection as well as the Federal Environmental Protection Agency to arrive at an appropriate remediation plan to satisfy all parties.

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

## ***Long-Term Debt***

At June 30, 2008, the Town had \$51.1 million in bonds outstanding versus \$42.9 million last year - an increase of 19.1% - as shown in Table 5.

**Table 5**  
**OUTSTANDING DEBT**  
**(In Millions)**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
General obligation bonds	\$ 51.1	\$ 42.9

The Town's general obligation bond rating continues to carry an A1 rating. The A1 rating that has been assigned by national rating agencies to the Town's debt. The State limits the amount of general obligation debt that towns can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$686 million state-imposed limit.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The unemployment rate for the Town of East Hartford is currently 7.6% (through September 2008) compared with the prior year of 6.2%.

The appropriation for expenditures totals \$155.8 million in the Adopted Budget for the 2008-2009 fiscal year, representing an increase of 2.82% compared to the final amended budget for fiscal year ended June 30, 2008.

If the appropriation estimates and estimated revenues primarily funded from property taxes are realized, the Town does not anticipate using any portion of the undesignated General Fund fund balance to balance budgeted operations for the 2008-2009 fiscal year.

The Town's elected and appointed officials considered many factors when establishing the tax mil rate of 31.67 for the Adopted Budget for the 2008-2009 fiscal year. This represents a decrease of 4.45 mils when compared to the mil rate of 36.12 established for the 2007-2008 fiscal year. The decrease in the mil rate was predominately driven by the implementation of the second and final year of a two-year phase in of revaluation.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of East Hartford, 740 Main Street, East Hartford, Connecticut 06108.

## TOWN OF EAST HARTFORD, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2008

In Thousands

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 47,195
Investments	63
Receivables, net	9,770
Other assets	168
Capital assets:	
Assets not being depreciated	28,078
Assets being depreciated, net	136,951
Total assets	<u>222,225</u>
Liabilities:	
Accounts and other payables	6,549
Unearned revenue	3,840
Noncurrent liabilities:	
Due within one year	14,730
Due in more than one year	73,619
Total liabilities	<u>98,738</u>
Net Assets:	
Invested in capital assets, net of related debt	130,943
Restricted for trust purposes:	
Expendable	227
Unrestricted	<u>(7,683)</u>
Total Net Assets	<u>\$ 123,487</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

A-12

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
					Governmental Activities
Governmental activities:					
General government	\$ 30,124	\$ 1,669	\$ 85	\$ 36	\$ (28,334)
Public safety	26,300	1,656	417	62	(24,165)
Inspections and permits	669	1,370			701
Public works	16,344	186	362	164	(15,632)
Parks and recreation	4,032	767	309		(2,956)
Health and social services	3,437	153	2,185		(1,099)
Education	134,084	4,174	87,167	382	(42,361)
Interest on long-term debt	1,689				(1,689)
Total	\$ 216,679	\$ 9,975	\$ 90,525	\$ 644	(115,535)
General revenues:					
Property taxes					98,825
Grants and contributions not restricted to specific programs					7,085
Unrestricted investment earnings					1,443
Other general revenues					1,405
Total general revenues					108,758
Special item:					
School construction project transfer					(2,891)
Change in net assets					(9,668)
Net Assets, Beginning of Year					133,155
Net Assets, End of Year					\$ 123,487

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

In Thousands

	<u>General</u>	<u>Capital Improvement</u>	<u>Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,472	\$ 13,813	\$ 42	\$ 1,891	\$ 34,218
Investments				63	63
Receivables, net	5,747	584	2,426	1,013	9,770
Due from other funds	1,858			982	2,840
Other assets	<u>3</u>			<u>125</u>	<u>128</u>
Total Assets	<u>\$ 26,080</u>	<u>\$ 14,397</u>	<u>\$ 2,468</u>	<u>\$ 4,074</u>	<u>\$ 47,019</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,362	\$ 1,893	\$ 74	\$ 572	\$ 5,901
Due to other funds	986	1,201	126	318	2,631
Deferred revenue	<u>6,523</u>	<u>216</u>	<u>2,253</u>	<u>1,602</u>	<u>10,594</u>
Total liabilities	<u>10,871</u>	<u>3,310</u>	<u>2,453</u>	<u>2,492</u>	<u>19,126</u>
Fund balances:					
Reserved	867	6,934	48	1,108	8,957
Unreserved, reported in:					
General Fund	14,342				14,342
Special Revenue Funds			(33)	474	441
Capital Project Funds		<u>4,153</u>			<u>4,153</u>
Total fund balances	<u>15,209</u>	<u>11,087</u>	<u>15</u>	<u>1,582</u>	<u>27,893</u>
Total Liabilities and Fund Balances	<u>\$ 26,080</u>	<u>\$ 14,397</u>	<u>\$ 2,468</u>	<u>\$ 4,074</u>	<u>\$ 47,019</u>

(Continued on next page)

## TOWN OF EAST HARTFORD, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2008

In Thousands

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

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

Fund balances - total governmental funds	\$	27,893
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	274,160	
Less accumulated depreciation		<u>(109,131)</u>	
Net capital assets			165,029

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

Property tax receivables greater than 60 days	3,531
Interest receivable on property taxes	793
Housing rehabilitation loans receivable	2,253
Receivable from the state for school construction projects	23
Other accounts receivable	154

Internal service funds are used by management to charge the costs of  
risk management to individual funds. The assets and liabilities of  
the internal service funds are reported with governmental activities  
in the statement of net assets.

7,618

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Net pension obligation	(1,319)
Net OPEB obligation	(6,281)
Bonds and notes payable	(51,170)
Interest payable on bonds and notes	(371)
Landfill post closure monitoring	(414)
Compensated absences	(15,031)
Retirement obligations	(335)
Capital lease	(8,996)
Deferred charges on refunding	<u>110</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>123,487</u></u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

	<u>General</u>	<u>Capital Improvement</u>	<u>Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
General property taxes	\$ 97,595	\$	\$	\$	\$ 97,595
Licenses and permits	1,584				1,584
Intergovernmental revenues	79,733	379	750	16,607	97,469
Charges for services	4,422			3,696	8,118
Investment income	769	77		13	859
Other	1,974		47	630	2,651
Total revenues	<u>186,077</u>	<u>456</u>	<u>797</u>	<u>20,946</u>	<u>208,276</u>
Expenditures:					
Current:					
General government	24,033		139	352	24,524
Public safety	23,878			1,396	25,274
Inspection and permits	744				744
Public works	8,978		192	370	9,540
Parks and recreation	2,671		33	907	3,611
Health and social services	1,237		478	1,315	3,030
Education	114,773		3	16,088	130,864
Capital outlay		11,206			11,206
Debt and sundry	8,760			23	8,783
Total expenditures	<u>185,074</u>	<u>11,206</u>	<u>845</u>	<u>20,451</u>	<u>217,576</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,003</u>	<u>(10,750)</u>	<u>(48)</u>	<u>495</u>	<u>(9,300)</u>
Other Financing Sources (Uses):					
Issuance of bonds		14,000			14,000
Transfers in	655	1,345		889	2,889
Transfers out	(2,234)	(124)		(531)	(2,889)
Multi-year lease purchase agreements		6,175			6,175
Total other financing sources (uses)	<u>(1,579)</u>	<u>21,396</u>	<u>-</u>	<u>358</u>	<u>20,175</u>
Net Change in Fund Balances	(576)	10,646	(48)	853	10,875
Fund Balance, Beginning of Year	<u>15,785</u>	<u>441</u>	<u>63</u>	<u>729</u>	<u>17,018</u>
Fund Balance, End of Year	<u>\$ 15,209</u>	<u>\$ 11,087</u>	<u>\$ 15</u>	<u>\$ 1,582</u>	<u>\$ 27,893</u>

(Continued on next page)

## TOWN OF EAST HARTFORD, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 10,875
---	-----------

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	7,600
Depreciation expense	(5,979)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources.

Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	(81)
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In the statement of activities, the loss from removing previously capitalized construction in progress relating to the magnet school transfer to Glastonbury is reported. Thus, the change in net assets differs from the change in fund balance by the loss of the asset transferred.

	(2,891)
--	---------

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

School building grant receipts	(23)
Property tax receivable - accrual basis change	1,177
Property tax interest and lien revenue - accrual basis change	53
Housing rehabilitation loans - accrual basis change	238
Other accounts receivable - accrual basis change	7

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

Bond principal payments	5,830
Issuance of bonds and notes	(14,000)
Capital lease payments	1,202
Capital lease financing	(6,175)
Amortization of deferred charge on refunding	(22)

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

Compensated absences	124
Accrued interest	84
Amortization of housing rehabilitation loans	(687)
Retirement obligations	24
Net pension expense	19
Net OPEB expense	(6,281)
Landfill post closure care	(33)

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

	(729)
--	-------

Change in Net Assets of Governmental Activities (Exhibit II)	\$ (9,668)
--	------------

The accompanying notes are an integral part of the financial statements



## TOWN OF EAST HARTFORD, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2008

In Thousands

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
Assets:	
Current:	
Cash and cash equivalents	\$ 12,977
Due from other funds	4
Other assets	<u>40</u>
Total assets	<u>13,021</u>
Liabilities:	
Current liabilities:	
Accounts payable	277
Due to other funds	213
Risk management claims	<u>2,026</u>
Total current liabilities	2,516
Noncurrent liabilities:	
Risk management claims	<u>2,887</u>
Total liabilities	<u>5,403</u>
Net Assets:	
Unrestricted	\$ <u><u>7,618</u></u>

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Operating Revenues:	
Employer contributions	\$ 14,532
Charges for goods and services	4,980
Other	530
Total operating revenues	<u>20,042</u>
Operating Expenses:	
Claims	18,809
Premiums and administrative charges	2,546
Total operating expenses	<u>21,355</u>
Operating Loss	(1,313)
Nonoperating Revenue:	
Interest income	<u>584</u>
Change in Net Assets	(729)
Total Net Assets, Beginning of Year	<u>8,347</u>
Total Net Assets, End of Year	\$ <u><u>7,618</u></u>

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
Cash Flows from Operating Activities:	
Cash received from employer contributions	\$ 14,532
Cash received from charges for services	4,980
Cash received from other revenues	530
Cash paid for claims	(18,768)
Cash paid to other suppliers for services	(2,546)
Net cash used in operating activities	(1,272)
Cash Flows from Noncapital and Related Financing Activities:	
Deposit with claim service provider	22
Cash Flows from Investing Activities:	
Investment income	584
Net Decrease in Cash and Cash Equivalents	(666)
Cash and Cash Equivalents, Beginning of Year	13,643
Cash and Cash Equivalents, End of Year	\$ 12,977
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating income	\$ (1,313)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase (decrease) in accounts payable and accrued liabilities	(400)
(Increase) decrease in due from other funds	232
Increase (decrease) in due to other funds	209
Total adjustments	41
Net Cash Used in Operating Activities	\$ (1,272)

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## FIDUCIARY FUNDS

## STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

In Thousands

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Assets:		
Cash and cash equivalents	\$ 2,291	\$ 1,364
Investments - mutual funds	<u>163,705</u>	
Total Assets	<u>165,996</u>	<u>\$ 1,364</u>
Liabilities:		
Accounts payable	15	\$
Due to student groups and agencies		<u>1,364</u>
Total Liabilities	<u>15</u>	<u>\$ 1,364</u>
Net Assets:		
Held in trust for pension benefits	<u>\$ 165,981</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF EAST HARTFORD, CONNECTICUT

## FIDUCIARY FUNDS

## STATEMENT OF CHANGES IN PLAN NET ASSETS

## PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

## Additions:

## Contributions:

Employer	\$	7,176
Plan members		3,389
Total contributions		<u>10,565</u>

## Investment income (loss):

Net depreciation in fair value of investments	(19,560)
Interest and dividends	<u>2,794</u>
Total investment loss	(16,766)
Less investment expense	<u>(355)</u>
Net investment loss	<u>(17,121)</u>
Total reductions	<u>(6,556)</u>

## Deductions:

Benefits	14,257
Administration	<u>140</u>
Total deductions	<u>14,397</u>

Net Decrease	(20,953)
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Net Assets Held in Trust for Pension Benefits, Beginning of Year	<u>186,934</u>
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Net Assets Held in Trust for Pension Benefits, End of Year	\$ <u><u>165,981</u></u>
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The accompanying notes are an integral part of the financial statements

# **TOWN OF EAST HARTFORD, CONNECTICUT**

## **NOTES TO FINANCIAL STATEMENTS**

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**In Thousands**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

The Town was incorporated in October 1783 under the provisions of the State of Connecticut General Assembly.

In June 1929, the form of government was changed to Town Council/Council President. Under home rule, the form of government was again changed to Strong Mayor/Council in April 1968 and exists as such today. The Town provides the full range of municipal services including public safety (police, fire, emergency medical service), streets, sanitation (collection and waste disposal), health and social, recreation (parks and golf course), libraries, education, planning and zoning and general administrative services.

#### **B. Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, 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.

The various funds included in the financial statements are described below:

### **Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed.

The *General Fund* is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

*Special Revenue Funds* account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

*Capital Project Funds* account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

### **Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

*Internal Service Funds* account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Town's risk management activities are the only internal service funds of the Town.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

The *Pension Trust Fund* accounts for the Town of East Hartford Retirement System.

*Agency Funds* are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The school system Student Activity Fund and Developers' Escrow Fund are the Town's agency funds.

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

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

revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, charges for services 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. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

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

The Capital Improvement Fund accounts for all the financial resources including school construction grants, bonds and capital lease proceeds used to finance expenditures for capital improvement projects.

The Community Development Fund accounts for loan and grant activities associated with housing and community development.

Additionally, the Town reports the following fund types:

The Internal Service Funds account for the Town's risk management program.

The Pension Trust Fund accounts for the activities of the Town's retirement system, which accumulates resources for pension benefit payments to qualified Town employees.

The Agency Funds account for assets held in a custodial nature including student activity and developer escrow accounts.

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

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



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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Deposits and Investments**

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

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

Investments for the Town are reported at fair value.

#### **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowances are computed based on historical data.

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of 1-1/2% per month. The Town is not a part of any overlapping government which assesses separate property taxes. An amount of \$1,278 has been established as an allowance for uncollected taxes. At June 30, 2008 this represents 23.2% of property taxes receivable.

Property tax revenue is recorded when it becomes available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period; such time thereafter shall not exceed sixty (60) days.

## **F. Prepaid Items**

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

## **G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Other improvements	20
Infrastructure	50
Vehicles	10-15
Equipment	10
Furniture and fixtures	20

## **H. Compensated Absences**

Vacation earned can be accumulated by individual employees. In addition, employees may accumulate an additional amount of unused sick leave (as determined by individual union contracts) until termination of their employment.

Holiday pay earned by fire department personnel in the current year is not paid until the following year. Certain employees having at least two years of service with the Town are eligible for longevity benefits. These benefits are earned in the current year and paid in the following year.

## **I. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any

significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

## **J. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

The Town established its General Fund budget in accordance with provisions of its Charter and the Connecticut General Statutes.

A budget for the General Fund is authorized annually by the Town Council. The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to February 23, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- Not later than March 11, a public hearing is conducted to obtain taxpayers' comments.
- Prior to March 31, the budget is legally enacted through passage of an ordinance.
- Prior to April 15, referendum petitions on the budget can be filed with the Town Clerk. Once these petitions are certified by the Town Clerk, the Town Council sets a referendum date.
- During the middle of April, a referendum on the budget is held and within five days the Town Council adopts the final budget
- Under the Town Charter, no department or board may involve the Town in any obligation to spend money for any purpose in excess of the amount appropriated. However, upon approval of the Director of Finance and the Mayor, transfers from one budgetary line item to another may be made within a department, and notification is subsequently given to the legislative body. In addition, the Council may, by resolution, transfer monies from the contingency account to other line items during the first nine months of the fiscal year and

may transfer from any account except the debt service line item within the General Fund during the last three months of the fiscal year. Additional appropriations made during the year amounted to \$2,855 from undesignated fund balance. Appropriations lapse at year end except appropriations for capital projects which continue until completion of the applicable project.

The budget is administered on a modified accrual basis of accounting except for encumbrances. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Encumbrances are reported in the governmental funds in accordance with accounting principles generally accepted in the United States of America. Open encumbrances are reported as reservations of fund balances since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities.

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

## B. Deficit Fund Equity

Nonmajor Funds:

Special Revenue Funds:

Landfill Closure 22\*

Internal Service Funds:

Workers' Compensation 1,055\*

\* Deficit will be reduced in future years when additional revenues are realized or the General Fund appropriates and transfers funds.

## 3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in:

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

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

#### **A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2008:

Deposits:	
Demand accounts	\$ 7,226
Savings accounts	4,847
Money market account	1,060
Total deposits	<u>13,133</u>
Cash equivalents:	
State Short-Term Investment Fund (STIF)	23,519
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)	12,747
State Tax Exempt Proceeds Fund (TEPF)	219
Morgan Stanley Liquid Asset Fund	2
Aetna Disbursement Payment Account	<u>1,230</u>
Total Cash and Cash Equivalents	<u>\$ 50,850</u>

#### **Deposits**

At June 30, 2008 the carrying amount of the Town deposits was \$13,133 and the bank balance was \$13,046.

*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's credit risk is mitigated by requiring the pre-qualification of financial institutions and by monitoring the credit worthiness of any depository used by the Town. Of the June 30, 2008 bank balance, \$847 was covered by federal depository insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$1,305, based on June 30, 2008 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The balance of deposits of \$10,894 was uninsured and uncollateralized.

## Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2008 the Town's cash equivalents amounted to \$37,717. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Rating Agency</u>	<u>Rating</u>
State Short-Term Investment Fund (STIF)	Standard and Poor's	AAAm
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)	Fitch	AAA
State Tax Exempt Proceeds Fund (TEPF)		*
Morgan Stanley Liquid Asset Fund		*
Aetna Disbursement Payment Account		*

\*Fund not rated

## B. Investments

Investments as of June 30, 2008 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest-bearing investments:		
U.S. government obligations	\$ 63	18.7
Pooled open-end mutual fund accounts:		
Pension Trust Fund:		
Charles Schwab Trust Account	159,773	
ING Pooled Account	2,581	
Aetna Regular Account	1,351	
Total	\$ <u>163,768</u>	

Portfolio weighted average maturity for interest bearing investments

18.7

*Interest Rate Risk* - The Town's General investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. The Town primarily invests general funds in short-term securities unless it is anticipated that long-term securities can be held to maturity without jeopardizing liquidity requirements. The Town's Retirement Board investment policy for the Town's Pension Trust investments assumes a three to five year holding period based on a required minimum annual rate of return of 8.5%.

*Credit Risk - Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The Town's Retirement Board investment policy limits the Town's Pension Trust investment choices. The investment policy for Pension Trust investments specifically permits investments in individual marketable securities or packaged products in the following categories: cash and cash equivalents, fixed income - domestic bonds (investment grade), fixed

income - non-U.S. bonds (investment grade), equities - U.S., equities - non-U.S., equities - emerging markets, and equities - REITS. Prohibited asset classes and/or security types are listed in the policy. All of the Town's investments are invested in various pooled accounts and mutual funds which have not been rated by nationally recognized statistical rating organizations.

*Concentration of Credit Risk* - The Town's General investment policy requires the diversification of investment instruments to avoid incurring unreasonable risks. Percentages of portfolio limitations are included in the policy. The Town's Retirement Board investment policy provides targeted general asset allocation guidelines. Should the general asset allocation exceed a variance of 10% from the target allocation, rebalancing of the portfolio is required. The Town's Retirement Board investment policy does specifically restrict investments in any one issuer.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town's Retirement Board investment policy requires its investment manager to be registered with the Securities and Exchange Commission and to manage the investments in accordance with State and Federal law and the Uniform Prudent Investor Act. The Town's investments, excluding U.S. government obligations, are held in open-end mutual funds which, because they are pooled investments rather than separate identifiable securities, are not subject to custodial risk determination.

#### 4. RECEIVABLES

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

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Community Development Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 5,489	\$	\$	\$	\$ 5,489
Accrued interest	1,011				1,011
Intergovernmental	23	584		855	1,462
Accounts	1,213		173	185	1,571
Loans and accrued interest on loans			2,253		2,253
Gross receivables	<u>7,736</u>	<u>584</u>	<u>2,426</u>	<u>1,040</u>	<u>11,786</u>
Less allowance for uncollectibles:					
Taxes	(1,278)				(1,278)
Accrued interest on taxes	(218)				(218)
Accounts	(493)			(27)	(520)
Total allowance	<u>(1,989)</u>	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>(2,016)</u>
Net Total Receivables	<u>\$ 5,747</u>	<u>\$ 584</u>	<u>\$ 2,426</u>	<u>\$ 1,013</u>	<u>\$ 9,770</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 3,531	\$	\$ 3,531
Accrued interest on delinquent property taxes	793		793
School building construction grant receivables	23		23
Advance tax collections		2,176	2,176
Capital Improvement Fund:			
Grant drawdowns prior to meeting all eligibility requirements		216	216
Community Development Fund:			
Housing loans and interest	2,253		2,253
Nonmajor funds:			
Advance recreation program fee collections		215	215
Grant drawdowns prior to meeting all eligibility requirements		1,233	1,233
Other deferred receivables	<u>154</u>	<u></u>	<u>154</u>
Total Deferred/Unearned Revenue for Governmental Funds	\$ <u>6,754</u>	\$ <u>3,840</u>	\$ <u>10,594</u>



## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,200	\$	\$	\$ 11,200
Construction in progress	<u>14,615</u>	<u>5,154</u>	<u>(2,891)</u>	<u>16,878</u>
Total capital assets not being depreciated	<u>25,815</u>	<u>5,154</u>	<u>(2,891)</u>	<u>28,078</u>
Capital assets being depreciated:				
Buildings and improvements	103,504	59		103,563
Furniture, fixtures, vehicles and equipment	23,163	2,387	(1,152)	24,398
Infrastructure	<u>118,121</u>			<u>118,121</u>
Total capital assets being depreciated	<u>244,788</u>	<u>2,446</u>	<u>(1,152)</u>	<u>246,082</u>
Less accumulated depreciation for:				
Buildings and improvements	(34,856)	(2,298)		(37,154)
Furniture, fixtures, vehicles and equipment	(15,891)	(1,482)	1,071	(16,302)
Infrastructure	<u>(53,476)</u>	<u>(2,199)</u>		<u>(55,675)</u>
Total accumulated depreciation	<u>(104,223)</u>	<u>(5,979)</u>	<u>1,071</u>	<u>(109,131)</u>
Total capital assets being depreciated, net	<u>140,565</u>	<u>(3,533)</u>	<u>(81)</u>	<u>136,951</u>
Governmental Activities Capital Assets, Net	<u>\$ 166,380</u>	<u>\$ 1,621</u>	<u>\$ (2,972)</u>	<u>\$ 165,029</u>

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

Governmental activities:	
General government	\$ 182
Public safety	967
Public works	2,907
Parks and recreation	217
Health and social services	32
Education	<u>1,674</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,979</u>

## Construction Commitments

The Town has the following active construction projects as of June 30, 2008. At year end the Town's projects and commitments with contractors are as follows:

<u>Project Series</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Balance June 30, 2008</u>
2008 Authorization	\$ 7,000	\$ 342	\$ 1,216	\$ 5,442
2006 Authorization	15,500	3,479	5,052	6,969
2002 Authorization	11,640	10,816	349	475
Magnet Middle School	32,575	32,526		49
International Academy	14,609	14,210		399
Capital and Nonrecurring	523	47	26	450
School Roofs	1,363	1,353		10
Capital leases	11,582	10,276	291	1,015
Total	\$ 94,792	\$ 73,049	\$ 6,934	\$ 14,809

## 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. The General Fund provides for working capital advances to/from other funds. A summary of interfund balances as of June 30, 2008 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 1,201
General Fund	Community Development Fund	126
General Fund	Nonmajor Governmental Funds	318
General Fund	Internal Service Fund	213
Nonmajor Governmental Funds	General Fund	982
Internal Service Fund	General Fund	4
Total		\$ 2,844

A summary of interfund transfers is presented below:

	<b>Transfers In</b>			
	<b>General Fund</b>	<b>Capital Improvement Fund</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Transfers out:				
General Fund	\$	\$ 1,345	\$ 889	\$ 2,234
Capital Improvement Fund	124			124
Nonmajor governmental	531			531
Total	\$ <u>655</u>	\$ <u>1,345</u>	\$ <u>889</u>	\$ <u>2,889</u>

Interest earned on cash balances and residual unexpended bond proceeds on closed capital projects in the Capital Improvement Fund are transferred to the General Fund to offset debt service costs on previously issued bonds. The transfers from other nonmajor governmental funds to the General Fund consist primarily of net proceeds derived from police and fire private duty services. The General Fund transfers out funds in support of various special revenue fund programs. In 2008, the General Fund transferred \$817 to the Golf and Golf Capital Improvement Fund to provide for the funding of deficits and facilitate the close out of both funds. During 2008, the operations of the golf course was transferred to a private operator under a new management contact lease.

## 7. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
General obligation bonds	\$ 43,000	\$ 14,000	\$ 5,830	\$ 51,170	\$ 6,020
Less deferred amounts on refunding	(132)		(22)	(110)	
Total bonds payable	<u>42,868</u>	<u>14,000</u>	<u>5,808</u>	<u>51,060</u>	<u>6,020</u>
Capital leases	4,023	6,175	1,202	8,996	1,705
Landfill closure	381	50	17	414	17
Compensated absences	15,155	4,378	4,502	15,031	4,907
Retirement obligations	359	304	328	335	55
Net OPEB obligation		6,281		6,281	
Net pension obligation	1,338		19	1,319	
Risk management claims	<u>5,256</u>	<u>18,809</u>	<u>19,152</u>	<u>4,913</u>	<u>2,026</u>
Governmental Activity Long-Term Liabilities	\$ <u>69,380</u>	\$ <u>49,997</u>	\$ <u>31,028</u>	\$ <u>88,349</u>	\$ <u>14,730</u>

The risk management claims accounted for in the Internal Service Funds are reported in the long-term liabilities as part of the above totals for governmental activities. All long-term liabilities are generally liquidated by the General Fund.

Bonds payable at June 30, 2008 are comprised of the following individual issues:

<u>Description</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance Outstanding June 30, 2008</u>
General purpose, school improvements, and urban renewal	3.6-5.5	1/15/1999	1/15/2009	\$ 15,480	\$ 1,600
General purpose and school improvements	4.1-4.2	1/15/2001	1/15/2011	7,031	2,100
General purpose	3.9-5.0	5/1/2002	5/1/2010	12,000	1,100
Refunding - partial refunding of issue dated May 1, 2002	2.0-5.3	4/1/2003	5/1/2015	9,470	9,160
General purpose, school improvements, and urban renewal	3.0-5.0	5/1/2003	5/1/2023	14,675	10,725
General purpose	3.1-4.0	7/1/2005	7/1/2014	11,500	8,925
General purpose and school improvements	3.8-4.3	5/15/2006	5/15/2016	3,860	3,560
General purpose and school improvements	3.1-5.0	6/1/2008	6/1/2028	14,000	14,000
Total				\$	<u>51,170</u>

The annual requirements to amortize bonds payable as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,020	\$ 1,976	\$ 7,996
2010	6,125	1,758	7,883
2011	6,440	1,520	7,960
2012	5,485	1,272	6,757
2013	5,555	1,048	6,603
2014-2018	15,695	2,652	18,347
2019-2023	4,225	831	5,056
2024-2028	<u>1,625</u>	<u>207</u>	<u>1,832</u>
Total	\$ <u>51,170</u>	\$ <u>11,264</u>	\$ <u>62,434</u>

Prior Year Defeasance of Debt:

On April 1, 2003, the Town defeased \$9.3 million in general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2008, \$8.3 million of bonds outstanding are considered defeased.

Bonds authorized/unissued for which bonds or notes are outstanding are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonds Issued/ Paydowns</u>	<u>Grants Received</u>	<u>Authorized Unissued</u>
Road Reconstruction	\$ 9,500	\$ 7,600	\$	\$ 1,900
Flood Control System Improvements	7,000	6,025		975
East Hartford High School Renovations and Improvements	11,640	4,100	6,746	794
Public Safety Complex, Board of Education Maintenance and Facility Offices	29,526	26,421	2,378	727
Total	<u>\$ 57,666</u>	<u>\$ 44,146</u>	<u>\$ 9,124</u>	<u>\$ 4,396</u>

The Town's indebtedness (\$70.0 million) does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 220,367	\$ 47,695	\$ 172,672
Schools	440,735	5,744	434,991
Sewers	367,279	14,027	353,252
Urban renewal	318,308	1,530	316,778
Pension deficit	293,823		293,823

The total overall statutory debt limitation for the Town is equal to seven times annual receipts from taxation (\$686 million).

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which debt is issued and outstanding. School building grants receivable for bond principal of \$23 and progress payment reimbursements for eligible construction costs during certain construction phases of the school construction projects of \$574 are reflected in the computation of net indebtedness.

## Capital Leases

The Town has entered into multi-year capital leases for the purchase of various capital items including public works equipment, vehicles and computer hardware and software. The assets acquired through capital leases are as follows:

Asset class:		
Building improvements	\$	5,204
Vehicles		5,249
Equipment		1,636
Furniture		250
Total gross value		<u>12,339</u>
Less accumulated depreciation		<u>(3,343)</u>
Net Undepreciated Value	\$	<u>8,996</u> *

\* The net undepreciated value approximates the capital lease principal balance payable at June 30, 2008.

Principal payments for 2007-08 were \$1,202. The following is a summary of capital lease commitments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 2,016
2010	1,729
2011	1,293
2012	768
2013	683
Thereafter	<u>4,194</u>
Total minimum lease payments	10,683
Less amount representing interest	<u>(1,687)</u>
Present Value of Minimum Lease Payments	\$ <u>8,996</u>

## Landfill Closure

The Town completed the capping of their landfill under a consent order issued by the State of Connecticut Department of Environmental Protection (DEP) requiring the Town to close and cap the landfill. Solid waste landfill closure and postclosure care requirements have been established by the DEP. The Town began its postclosure monitoring period during fiscal year 2003. The costs associated with monitoring and maintaining the landfill area during the postclosure period is the responsibility of the Town and will be paid by the General Fund. The estimated costs to perform the monitoring requirements during a projected 30-year monitoring period are \$414. These estimates are subject to change due to inflation, changes in regulations or if environmental problems are identified during postclosure monitoring period. None of these costs are expected to be paid from current available resources.

## Compensated Absences

Employees can accumulate additional amounts of unused vacation and sick leave, and earn compensatory time (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provides for payments to vested employees.

The following is a summary of management's estimate of the vested and nonvested potential liability for lump-sum payments to employees as of June 30, 2008:

Vested:		
Sick	\$	7,334
Vacation		2,095
Compensatory		1,229
Nonvested:		
Sick		<u>4,373</u> *
Total	\$	<u><u>15,031</u></u>

\* Based on estimated percentage of total nonvested obligation that potentially will vest in future years.

## Retirement Obligations

Board of Education retirement obligations in the amount of \$335 consists of \$53 due to retired employees for unused compensated absences for which the payments have been amortized out over three years and \$282 due to employees, payable upon retirement, representing deferred commitments awarded to employees in 1992 in lieu of receiving raises for that year.

## 8. OPERATING INCOME LEASE

In September 2007, the Town entered into a 10-year operating lease with a company to manage the operations of the Town's golf course. The initial term of the contract was effective December 1, 2007 and provides for payment to the Town of \$140 per year in each of the first five years of the lease and \$150 per year in years six through ten. Lease extension provisions are provided for in the lease agreement.

## 9. FUND EQUITY

The following is a description of the various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

### Fund Balance

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts.

Reserved for Trusts - represents the amount of funds accumulated in other governmental funds to pay for specific endowment activities.

Fund balance reserves are as follows:

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Community Development Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Encumbrances and commitments	\$ 867	\$ 6,934	\$ 48	\$ 881	\$ 8,730
Trusts				227	227
Total	<u>\$ 867</u>	<u>\$ 6,934</u>	<u>\$ 48</u>	<u>\$ 1,108</u>	<u>\$ 8,957</u>

## 10. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Town has chosen to retain the risks for workers' compensation through a Workers' Compensation Fund, employee health and medical claims (Health Benefits Fund) and general and auto liability claims (General Liability Fund). These funds are reported as Internal Service Funds. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. Various Town funds contribute to the self-insurance funds based on estimates made using historical data. The Town contracted with outside organizations to pay claims and provide administrative services. Additionally, stop-loss insurance coverage has been purchased to limit the Town's liability for health and medical claims. A claims liability of \$3,257 for the Workers' Compensation Fund, reported at June 30, 2008, is based on a summary report of outstanding liabilities for workers compensation and heart and hypertension claims. The claims liability of \$1,235 for the Health Benefits Fund, reported at June 30, 2008, is based on estimated claims incurred but not reported. A claims liability of \$421 for the General Liability Fund, reported at June 30, 2008, is based on a summary loss report of outstanding liabilities by coverage. The changes in the claims liability were as follows:

	<u>2008</u>	<u>2007</u>
Beginning of year	\$ 5,256	\$ 5,659
Fiscal year claims incurred and changes in prior years' Estimates	18,809	19,515
Fiscal year claim payments	<u>(19,152)</u>	<u>(19,918)</u>
End of Year	<u>\$ 4,913</u>	<u>\$ 5,256</u>

## 11. OVERLAPPING DEBT

The Town is a member of the Metropolitan District (a quasi-municipal corporation that provides water supply, sewerage collection and disposal facilities for members). Member towns are assessed a percentage of the Metropolitan District's net debt outstanding. As such, the Town's overlapping share of debt issued by the Metropolitan District is \$14.0 million as of June 30, 2008.



## 12. OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the Town and the various unions representing Town employees. The Town pays the full cost of life insurance premiums. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving benefits under the Town's self-insured medical benefits program.

### **Funding Policy**

The City's current strategy is to fund current claims and administrative costs for postemployment benefits through its self-insured internal service fund.

Additionally the Town has adopted an ordinance that provides for the future establishment of a Retiree Benefit Trust Fund (RBTF). The purpose of the RBTF will be to provide funds to meet long-term obligations of the Town of East Hartford regarding health benefits provided to retired Town employees in accordance with provisions for such benefits contained in any agreement between Town employees and the Town of East Hartford.

Income to such fund shall include any amounts appropriated to such fund by the Town Council or as provided for in the RBTF ordinance and any return on investments of such funds. The RBTF ordinance calls for the appropriation of funds, if, at the close of any fiscal year, the General Fund's undesignated unreserved fund balance exceeds eight percent of the total budget appropriation for such fiscal year, the budget surplus in such fiscal year, as verified by the town auditors, shall be appropriated to the RBTF during the subsequent fiscal year.

Although a trust fund may be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of a trust fund and internal service fund control structure may be used, the Town's current commitment to funding both the normal cost amortization of the actuarial accrued liability is dependent upon the General Fund's undesignated unreserved fund balance exceeding eight percent.

The Town has not established a RBTF fund, as of June 30, 2008, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The following is the current census of Town benefit participants as of July 1, 2007:

	<i>(not rounded)</i>
Active members	1,514
Retirees and spouses	<u>1,347</u>
Total	<u><u>2,861</u></u>

Postemployment retiree benefit payments for the year ended June 30, 2008, net of retiree and other contributions, amounted to approximately \$4,079 including an estimated implicate rate subsidy cost component of \$1,203. For the year ended June 30, 2008, retirees contributed \$660.

## Annual OPEB Cost and Net OPEB Obligations

The Town of East Hartford's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events.

Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

		<b>Other Post Employment Benefits (OPEB)</b>
Annual required contribution (ARC)	\$	10,360
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		10,360
Contributions made		(4,079)
Increase in net OPEB obligation		6,281
Net OPEB obligation, beginning of year		-
Net OPEB Obligation, End of Year	\$	<u>6,281</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2008 is presented below. Data is only presented for the fiscal year ended June 30, 2008, due to this being the year of implementation.

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
6/30/08	\$ 10,360	\$ 4,079	39.4%	\$ 6,281

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

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return, which is the rate of the

expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost trend rate of 9% is used initially, decreasing 1% per year to an ultimate rate of 5% for 2011 and later. The remaining amortization period at July 1, 2007 was 30 years. As of July 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$129 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$129 million.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is only presented for July 1, 2007 due to this being the first valuation.

<b>Schedule of Funding Progress</b>					
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) Entry Age (b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UFAL as a % of Covered Payroll ((b-a)/c)</b>
7-1-07	\$ -0-	\$ 128,765	0%	\$ N/A	N/A

**Schedule of Employer Contributions**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/2008	\$ 10,360	39.4%

### **13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

#### **East Hartford Retirement System Fund**

##### **A. Plan Description**

The Town is the administrator of a single-employer Public Employee Retirement System (PERS) established by the Town to provide pension benefits for its employees. The Public Employee Retirement System was enacted by Special Act of the Connecticut Legislature. The Plan is managed by a retirement board consisting of five members. The board serves as trustee of the funds, and shall determine contributions payable by the Town in accordance with sound actuarial principles. There are no stand-alone financial statements issued for the PERS. The PERS is considered to be part of the Town of East Hartford's financial reporting entity and is included in the Town's financial reports as a pension trust fund.

The Town of East Hartford Retirement System covers all full-time police, firefighter and general employees of the Town and full-time paraprofessionals and noncertified employees of the Board of Education hired prior to December 31, 2005 and only police, firefighter and dispatchers hired after December 31, 2005. The Town provides all retirement, death and

disability benefits through a single employer, contributory, defined benefit plan. Firefighters and police officers are 100% vested after 15 years of service. Dispatchers are 100% vested after 5 years of service. All other participants in the plan are 100% vested after 10 years of service. Firefighters and police officers who retire at normal retirement (25 years of service regardless of age, or age 65 with the completion of 15 years of service) receive a benefit of 2.5% of final average salary per year of service to a maximum of 75% of final average salary. Paraprofessional employees who retire at normal retirement (attainment of age 65 and completion of 10 years of service; attainment of age 62 and completion of 25 years of service; the latter of age 65 or 5 years of participation in the plan; or the Rule of 85) receive a benefit of 2.2% of the employee's final average salary multiplied by the number of years and full months of credited service, not to exceed 70% of the employee's final average salary. Dispatchers who retire at normal retirement (attainment of age 65 and completion of 5 years of credited service; 25 years of credited service regardless of age; or the Rule of 75) receive a benefit of 2.2% of the employee's final average salary multiplied by the number of years and full months of credited service, not to exceed 70% of the employee's final average salary. All other participants of the plan who retire at normal retirement (the latter of age 65 and the completion of ten years of service, or the latter of age 62 and the completion of 25 years of service) receive a benefit of 2.33% of final average salary per year of service to a maximum of 70% of final average salary. Final average salary is defined as the average of salary earned during the highest 36 consecutive months of employment based upon the Plan year prior to termination.

Plan benefits may be amended by the Town Council.

The membership of the plan consisted of the following at July 1, 2007, the date of the latest actuarial valuation:

Retiree, disabled and beneficiaries currently receiving benefits	571
Terminated employees entitled to benefits but not yet receiving them	23
Current employees:	
Vested	264
Nonvested	523
Inactive participants eligible for a refund of contributions	<u>56</u>
Total	<u><u>1,437</u></u>

## **B. Summary of Significant Accounting Policies, Plan Asset Matters and Plan Changes**

**Basis of Accounting:** The Town's Pension Trust Funds' financial statements are prepared on the accrual basis of accounting. Employer and employee contributions are recognized when due, pursuant to plan provisions and contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments:** Investments are valued at fair value.

**Plan Changes:** There were no plan changes made for the July 1, 2007 valuation.

**Plan Expenses:** Expenses of administering the plan are paid for by the plan.

### C. Funding Policy

The contribution requirements of plan members are fixed by contract and may be amended by union negotiations as approved by the Town Council.

Employee contribution requirements as a percentage of their earnings to the PERS are as follows:

General Employees	8.0%
Firefighters	8.0
Police Officers	8.0
Paraprofessionals	8.0
Dispatchers	8.0

If an employee leaves employment before meeting the vesting requirements, accumulated employee contributions and interest are refunded. Interest on employee contributions is credited at 4% per year. The Town is required to contribute the remaining actuarially determined amount necessary to provide the benefits for its employees. The Town's current contribution percentage is 17.2% of covered payroll. The annual required contribution for the current year was determined as part of the PERS actuarial valuation dated July 1, 2006.

### D. Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the PERS for the current year were as follows:

Annual required contribution	\$ 7,147
Interest on net pension obligation	114
Adjustment to annual required contribution	<u>(104)</u>
Annual pension cost	7,157
Contributions made	<u>7,176</u>
Decrease in net pension obligation	(19)
Net pension obligation, beginning of year	<u>1,338</u>
Net Pension Obligation, End of Year	<u>\$ 1,319</u>

The actuarial method and assumptions used in the valuation are presented below:

Actuarial valuation date	July 1, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of payroll, 4% increases
Remaining amortization period	17 years - closed
Asset valuation method	Asset smoothing
Actuarial assumptions:	
Investment rate of return	8.5% per annum
Projected salary increases*	5%
*Includes inflation rate	3%

## E. Trend Information

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/06	\$5,338	100%	\$1,577
6/30/07	6,520	104	1,338
6/30/08	7,157	103	1,319

## F. Pension Plan Required Supplementary Information

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((a-b)/c)</b>
07/01/02	\$ 163,019	\$ 168,372	\$ 5,353	96.8%	\$ 35,477	15.1%
07/01/03	154,451	180,464	26,013	85.6	37,511	69.4
07/01/04	155,442	190,132	34,690	81.8	39,383	88.1
07/01/05	160,101	205,159	45,058	78.0	42,314	106.5
07/01/06	166,999	217,546	50,547	76.8	41,609	121.5
07/01/07	178,467	227,288	48,821	78.5	41,759	116.9

### Schedule of Employer Contributions

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
6/30/03	\$ 703	97%
6/30/04	2,821	100%
6/30/05	5,219	100%
6/30/06	5,321	100%
6/30/07	6,496	104%
6/30/08	7,147	104%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

## **G. Teacher Retirement**

All Town of East Hartford Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System, a cost sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Certified payroll subject to retirement amounted to \$43,635 or 71% of the total Board of Education payroll of \$61,370.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2008 the Town has recorded, in the General Fund, revenues and expenditures in the amount of \$32,301 as payments made by the State of Connecticut on behalf of the Town. The 2008 contribution includes an additional contribution towards the State's unfunded liability resulting from the State's issuance of pension obligation bonds.

The State of Connecticut Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## **14. SPECIAL ITEM - MAGNET SCHOOL PROJECT TRANSFER**

In a cooperative effort, the Board of Education and the Town Council had successfully pursued a State grant to fully fund the estimated \$29,724 construction cost of a new East Hartford-Glastonbury Elementary Magnet School. With local legislative approval and a State grant commitment in place, the process of designing a suitable school and finding a site on which to locate the school began. During the design and site selection process, approximately \$3,000 of State grant proceeds had been received by the Town and paid to architects, attorneys and engineers. The plans and site selected were forwarded to the Town's Planning and Zoning Commission in the summer of 2007 as the last step in the local approval process. The commission rejected the plan and site, primarily due to traffic concerns. As a result, during 2008, the project to construct the magnet school was transferred to the Town of Glastonbury on property within that Town. The Town of East Hartford was successful in facilitating a full release of the funds received from the State in the form of school building construction reimbursements. A special item expense totaling \$2,891 is reported in the government-wide Statement of Activities (Exhibit II), to account for the removal of projects expenses previously capitalized by the Town.

## **15. COMMITMENTS AND CONTINGENCIES**

The Town of East Hartford is located on the eastern bank of the Connecticut River, a major tributary to the Long Island Sound and the Atlantic Ocean. After extensive flooding caused by the Hurricane of 1938, the Army Corps of Engineers assisted the Town in the construction of an earthen dike system, including pumping stations, to protect the town from flooding in the future.

As a result of the Hurricane Katrina natural disaster in 2005, the Army Corps of Engineers developed new, more comprehensive maintenance standards for all flood control systems. When the new standards were applied to the Town's system, two deficiencies were discovered. As a result of the two deficiencies noted, the Army Corps has directed the Town to correct them in an effort to provide maximum protection for residents. In order to fund the repairs directed by the Army Corps to prevent the decertification of our flood control system, Town voters, on November 6, 2007, approved a \$7,000 bond authorization to provide funding for the estimated cost of repairs.

On June 1, 2008, the Town issued general obligation bonds of \$6,025 to provide funding for the initial phases of the project. Engineers are currently working on repair plans. A total estimated cost of the repairs has not yet been developed but is expected to far exceed the current \$7,000 bond authorization. The Town is actively pursuing project cost assistance both at the State and Federal levels.

### **Landfill Remediation**

In 2003, the Town completed the closure and capping of the municipal landfill. Subsequently, two pockets of contamination above acceptable levels have been identified in the Town's municipal landfill along the Hockanum River in the vicinity of the Eastern Landform. Risk assessments have been conducted along with a final round of sampling to determine the scope of the remediation project. Meetings were then held with DEP as well as the United States Environmental Protection Agency, and a work plan was developed for the purpose of determining the extent of contamination in the soil as well as to complete a final remediation plan.

With those meetings completed and a final remediation plan in place, the Town will competitively bid the remediation work to be completed. Bidding, contracting, remediation and clean up is expected to be completed in late 2009. Based on the estimated cost of the remediation provided to the Town by its environmental engineering firm, management does not believe that the costs of remediation will not have a material effect on the financial statements.

## **16. LITIGATION**

During the normal course of business, claims against the Town arise from personal injury suits, contract disputes, property damage claims and other normal type claims related to a municipality. It is the opinion of the Town Attorney that the ultimate liability of the Town for these cases currently pending will not have a material adverse affect upon the Town's financial position.

Prior to the issuance of this report, a personal property assessment suit, claiming \$6.1 million of tax overcharges, was filed against the Town. The Town vigorously disputes the basis for the claim which is currently under review by the Town's legal counsel.



## TOWN OF EAST HARTFORD, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General property taxes:				
Current tax levy	\$ 94,721	\$ 94,721	\$ 95,336	\$ 615
Prior years levy	1,275	1,275	1,263	(12)
Interest and liens	1,250	1,250	995	(255)
Total	<u>97,246</u>	<u>97,246</u>	<u>97,594</u>	<u>348</u>
Licenses and permits:				
Sporting	2	2	41	39
Protective	5	5	7	2
Amusement	2	2	2	-
Building structures and equipment	650	650	1,329	679
Street privilege and use	9	9	12	3
Health	70	70	69	(1)
Other licenses and fees	112	112	124	12
Total	<u>850</u>	<u>850</u>	<u>1,584</u>	<u>734</u>
Intergovernmental revenues:				
Pilot/Economic Development			56	56
Housing in lieu of taxes - State	65	65	81	16
Pilot - State Property	1,003	1,003	1,097	94
Boat registration	19	19	19	-
New manufacturers machinery	3,000	3,000	3,323	323
Distressed Municipalities	200	200	18	(182)
Housing in lieu of taxes - Federal	65	65	51	(14)
State relief - circuit breaker	375	375	383	8
Property tax relief	2,641	2,641	1,152	(1,489)
Elderly taxes	13	13	6	(7)
Disability exemptions	7	7	10	3
Veterans exemptions	40	40	40	-
Abandoned motor vehicles	3	3	1	(2)
Education cost sharing	35,151	37,841	37,282	(559)
Pequot funds	460	460	479	19
Special education	1,100	1,100	2,128	1,028
Health and welfare	45	45	66	21
Services to Blind	60	60	58	(2)
Transportation	950	950	809	(141)
School building	24	24	25	1
UMTA	16	16	13	(3)
Youth Services	36	36	39	3
Total	<u>45,273</u>	<u>47,963</u>	<u>47,136</u>	<u>(827)</u>
Charges for services:				
Town Clerk	1,500	1,500	1,359	(141)
Public Safety	259	259	390	131
Emergency management	10	10		(10)
Building Department	3	3	3	-
Public Works	156	156	171	15
Libraries	10	10	9	(1)
Recreation	84	84	91	7
Cemeteries	75	75	88	13
Total	<u>2,097</u>	<u>2,097</u>	<u>2,111</u>	<u>14</u>

(Continued on next page)

## TOWN OF EAST HARTFORD, CONNECTICUT

## GENERAL FUND

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

**FOR THE YEAR ENDED JUNE 30, 2008**  
**In Thousands**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Use of money:				
Interest from investments	\$ 800	\$ 800	\$ 769	\$ (31)
Fines and forfeits:				
Traffic tags and motor vehicle fines	35	35	82	47
Other revenue:				
In lieu of taxes/telephone	363	363	354	(9)
Rentals	75	75	132	57
Compensation and insurance refunds	60	60	65	5
Miscellaneous	750	750	1,401	651
Total	<u>1,248</u>	<u>1,248</u>	<u>1,952</u>	<u>704</u>
Total revenues	<u>147,549</u>	<u>150,239</u>	<u>151,228</u>	<u>989</u>
Other financing sources:				
Transfers in:				
Capital Improvement Fund	200	200	125	(75)
Nonmajor funds	<u>263</u>	<u>263</u>	<u>530</u>	<u>267</u>
Total other financing sources	<u>463</u>	<u>463</u>	<u>655</u>	<u>192</u>
Total	\$ <u>148,012</u>	\$ <u>150,702</u>	151,883	\$ <u>1,181</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.	32,301
Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for GAAP financial reporting purposes.	(63)
The Board of Education does not budget for a combination of intergovernmental grants, charges for services and other revenue amounts received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.	<u>2,611</u>

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 186,732

## TOWN OF EAST HARTFORD, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General government:				
Town Council	\$ 157	\$ 137	\$ 129	\$ 8
Town Clerk	299	285	276	9
Registrar	119	165	161	4
Selectmen	2	2	2	-
Mayor's Office	306	306	300	6
Corporation Counsel	350	325	320	5
Personnel	262	247	239	8
Libraries	1,104	1,104	1,094	10
Channel 5	16	16	16	-
Probate	18	18	16	2
Youth services	317	317	311	6
Grants administration	81	81	77	4
Finance administration	143	150	149	1
Accounts and control	286	285	273	12
Data processing	1,157	1,133	1,101	32
Purchasing	244	244	236	8
Treasury	4	4	4	-
Assessing	399	401	387	14
Revenue and collections	391	403	363	40
Employee benefits	14,176	13,954	13,821	133
Risk management	250	251	250	1
Development	253	253	249	4
Economic development	36	36	30	6
Planning and Zoning	11	11	8	3
Inland Wetlands	7	7	5	2
Redevelopment Agency	5	5	4	1
Z.B.A.	5	4	4	-
Boards, committees and commissions	39	40	35	5
M.D.C.	4,262	4,262	4,262	-
Contingency	600	5		5
Total general government	25,299	24,451	24,122	329
Public safety:				
Police:				
Administration	2,864	2,965	2,955	10
Operations	6,788	6,467	6,465	2
Criminal investigation	1,505	1,633	1,632	1
Communications	1,430	1,401	1,400	1
Total police	12,587	12,466	12,452	14
Fire:				
Administration	414	487	487	-
Fire suppression	8,597	9,415	9,415	-
Fire Marshal	332	343	342	1
Fire apparatus maintenance	307	357	357	-
Fire alarm maintenance	202	213	213	-
Emergency management	340	330	330	-
Emergency Medical Commission	2	2		2
Training	114	93	93	-
Public Safety Complex	232	239	202	37
Total fire	10,540	11,479	11,439	40
Total public safety	23,127	23,945	23,891	54
Inspections and permits	732	754	744	10

(Continued on next page)

## TOWN OF EAST HARTFORD, CONNECTICUT

## GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2008

In Thousands

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public works:				
Administration	\$ 319	\$ 320	\$ 318	\$ 2
Engineering	555	687	646	41
Highway services	2,418	2,670	2,552	118
Waste services	2,595	2,572	2,508	64
Fleet services	1,402	1,579	1,508	71
Building maintenance	1,233	1,398	1,321	77
Total public works	8,522	9,226	8,853	373
Parks and recreation:				
Administration	909	985	979	6
Maintenance	1,262	1,372	1,362	10
Park other facilities	339	317	315	2
Fine arts	24	24	23	1
Total parks and recreation	2,534	2,698	2,679	19
Health and social services:				
Administration	99	97	96	1
Community health and nursing	251	156	155	1
Social services	238	236	233	3
Elderly services - commissions	6	6	6	-
Elderly services	544	544	543	1
Community service persons disabilities	5	5	3	2
Environment control	232	201	200	1
Total health and social services	1,375	1,245	1,236	9
Education	77,650	80,244	79,839	405
Debt service:				
Bond principal and interest	7,472	7,472	7,472	-
Capital Improvement - lease financing	1,301	1,288	1,288	-
Total debt service	8,773	8,760	8,760	-
Total expenditures	148,012	151,323	150,124	1,199
Other financing uses:				
Transfers out:				
Capital Improvement Fund		1,344	1,344	
Nonmajor Funds		890	890	-
Total other financing uses		2,234	2,234	-
Total	\$ 148,012	\$ 153,557	152,358	\$ 1,199

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for

Town teachers are not budgeted.

32,301

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for GAAP financial reporting purposes.

(718)

Encumbrances for purchases and commitments ordered in the previous year that were received and liquidated in the current year are reported for GAAP financial statement reporting purposes.

756

The Board of Education does not budget for a combination of intergovernmental grants, charges for services and other revenue amounts received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

2,611

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues,

Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 187,308