

East Hartford Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Marcia A. Leclerc
Mayor

Michael P. Walsh
Director of Finance

Comprehensive Annual Financial Report

of the

Town of East Hartford Connecticut

Fiscal Year Ended June 30, 2013

Prepared by:
Department of Finance
Michael P. Walsh
Director of Finance

TOWN OF EAST HARTFORD, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

PRINCIPAL OFFICIALS

MAYOR

Marcia A. Leclerc

TREASURER

Joseph R. Carlson

TOWN COUNCIL

Richard F. Kehoe, Chairman
William P. Horan, Jr., Vice Chairman
Barbara-Ann Rossi, Majority Leader
Eric Thompson, Minority Leader
Ram Aberasturia
Esther Clarke
Patricia Harmon
Linda A. Russo
Marc I. Weinberg

ADMINISTRATION

Corporation Counsel
Town Clerk
Director of Development
Director of Finance
Director of Health and
Social Services
Director of Libraries
Director of Human Resources
Director of Inspect. and Permits
Director of Parks and Recreation
Director of Public Works
Director of Youth Services
Chief of Fire
Chief of Police

Scott Chadwick, Esq.
Robert Pasek
Eileen Buckheit
Michael P. Walsh

James Cordier
Susan Hansen
Santiago Malave
Greg Grew
Theodore Fravel
Timothy Bockus
Cephus Nolen, Jr.
John Oates
Mark Sirois

BOARD OF EDUCATION

Jeffrey A. Currey, Chairman
Christopher M. Gentile
Bryan R. Hall
Tyron V. Harris
Marcus C. Oladell, IV
Marilyn S. Pet
Dorese Roberts
Tom Rup
Stephanie K. Watkins

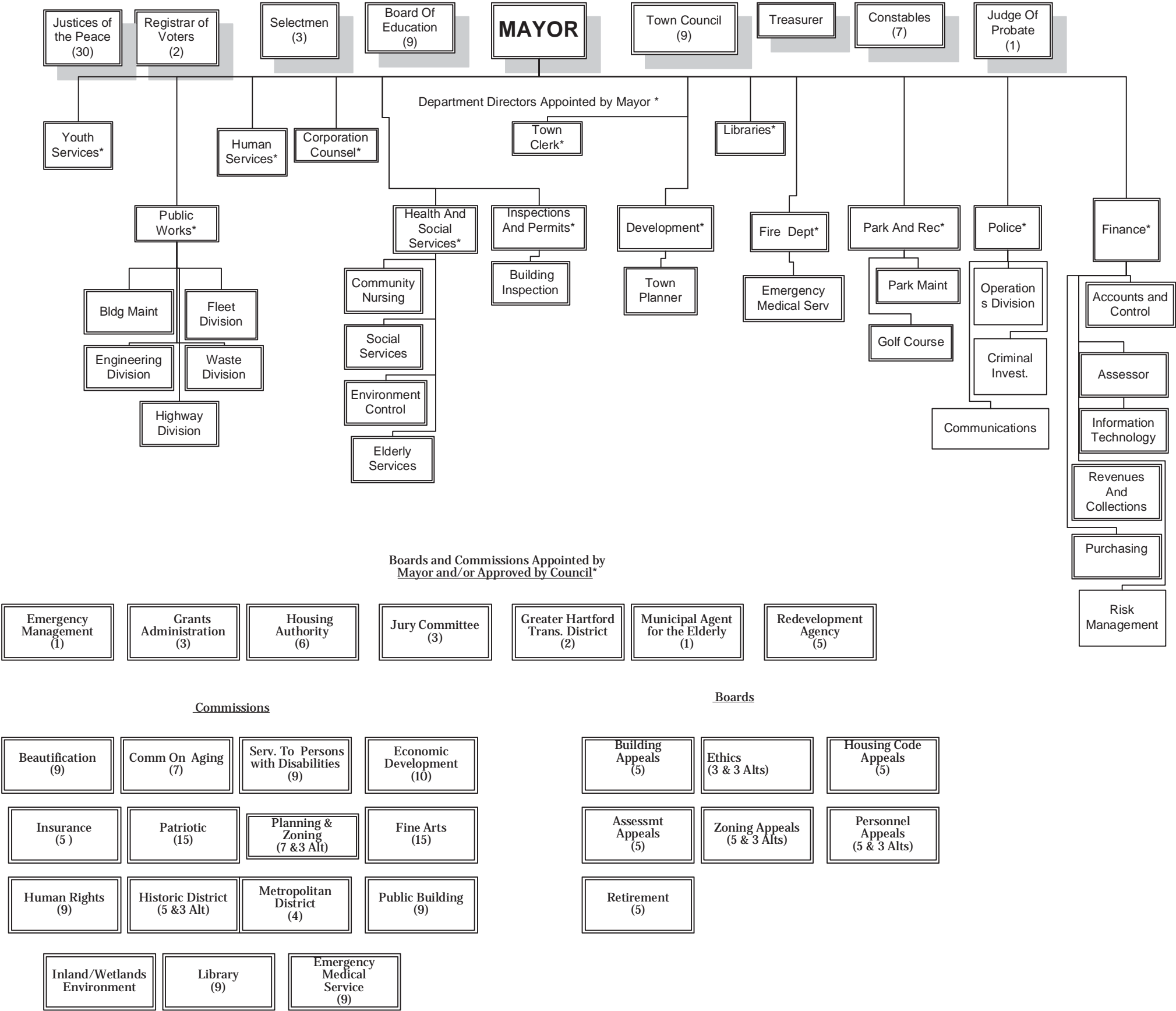
Superintendent of Schools
Assistant Superintendent
Director of Business Services
Director of Human Resources
Director of Pupil Personnel
Director of Facilities

Nathan D. Quesnal
Debbie A. Kaprove
Paul F. Mainuli
Christopher T. Wethje
Sharon A. Bremner, Ed.D.
Albert S. Costa

Organization Chart

Voters

Elect





TOWN OF EAST HARTFORD

740 Main Street

East Hartford, Connecticut 06108-3114

Telephone: (860) 291-7240
Facsimile: (860) 289-0831

MARCIA A. LECLERC,
MAYOR

Finance Department

December 19, 2013

Honorable Mayor Marcia A. Leclerc,
Members of the Town Council
Town of East Hartford
East Hartford, Connecticut

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of East Hartford, Connecticut (the Town) for the fiscal year ended June 30, 2013. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data are accurate in all material respects, and are reported in a manner to present fairly the financial position and results of operations of the Town of East Hartford. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The Town is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit is issued as a separate report.

The State of Connecticut has enacted legislation referred to as the *State Single Audit Act*. The Act requires financial and compliance audits of State Assistance received by municipalities. Information related to this single audit is issued as a separate report.

This report includes all funds of the Town of East Hartford. The Town provides a full range of services including public safety, street maintenance and sanitation, health and human services, public parks and recreation, library, education, culture, public improvements, planning, zoning and general administrative services.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Town

The Town of East Hartford was incorporated in 1783. Covering an area of 18.7 square miles, the Town borders on the City of Hartford on the west, the Towns of Glastonbury and Wethersfield on the south, the Town of Manchester on the east, and the Town of South Windsor on the north. The Town has a Strong Mayor/Council form of government. The Town Council is the governing body, and the Mayor is the Chief Executive Officer. Nine councilors are elected at large in odd-numbered years for two-year terms. The nine members of the Board of Education are elected to overlapping four-year terms as provided by the Town Charter. The Board of Education appoints the Superintendent of Schools.

The Local Economy and the Employment Market

The Town of East Hartford is the home of over 75 diversified manufacturing plants and 1,844 businesses lending to the relative stability of the local economy. The Town continues to work to diversify its employment base by adding businesses and jobs, primarily in the service industry sector.

The Town serves as the corporate and general headquarters for the Pratt & Whitney Division of United Technologies Corporation, which employs 30,000 people worldwide and 9,000 people in East Hartford.

Goodwin College continues to expand its footprint along the banks of the Connecticut River. In 2012-2013, Goodwin College substantially completed \$117M of new construction related to the opening of three Magnet Schools which will be interlaced among Goodwin's College Campus. The proximity of the new schools to the college will enhance the learning experiences of the college, high school, elementary, and pre-school students. The completion of these schools will generate new PILOT funds for the Town.

Rentschler Field, a former airfield servicing Pratt & Whitney Aircraft has been rededicated as a mixed-used development. The Field contains approximately 920 acres and is the location of Pratt & Whitney, the United Technologies Research Center, the University of Connecticut's football stadium and approximately 700 acres of developable land. United Technologies Corporation ("UTC"), the owner of Rentschler Field, has selected a developer who has planned a \$2 billion development which includes research and development, high-tech office, retail, manufacturing, sports medical facilities, residential and recreational facilities to the site.

Other notable new developments that contribute to the local economy include:

CVS on Silver Lane	Onyx Moonshine on Park Street
Rite Aid on School Street	Dollar General on Main Street
East Hartford Community Healthcare	Goodwin College Dental Hygienic School
Farmington Bank on Main Street	Auto Zone on Main Street

Other notable renovations or expansions in excess of \$250,000 to existing businesses that contribute to the local economy include:

Pratt and Whitney	Goodwin College Docks
Coca Cola	Founders Plaza
Wells Fargo Bank	Holiday Inn
Prestige Park	ATI Landish

Long-Term Financial Planning

The Town follows a prudent path when issuing debt by retiring most debt over a ten-year life. When budgeting for pension purposes, the Town always contributes the ARC (Annual Required Contribution) in order to maintain a stable pension fund.

Relevant Financial Policies

The Town of East Hartford currently maintains an unassigned fund balance of \$13.3 million in its General Fund. As a percentage of the current adopted budget, East Hartford maintains 7.8% in reserve. The Town decreased the reserve from the prior year by \$700.

The Town receives approximately one-third of budgeted revenues from the State of Connecticut. The vast majority of the State revenues that come to the Town are in the form of Educational Cost Sharing Grants (ECS) which provide a direct subsidy to the local education system.

Major Initiatives

- Rentschler Field Development
Beginning with the opening of the UCONN Football Stadium at Rentschler Field in 2003, and Cabela's in late 2007, the Town continues to work closely with the State, the property owner and the designated developer in an effort to open up the site to development. Planning and engineering of a road to open the site up to future development is underway.
- Road Improvements
Using bond funds approved by way of referendum, the Town continues to rehabilitate local roads through various milling and repaving operations. In November of 2012, Town voters approved \$10 million to continue the Town's road and infrastructure rehabilitation efforts.
- Flood Control System
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. In 1940, 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.

Recently, the Army Corps of Engineers have developed comprehensive maintenance standards for all flood control systems.

In order to fund the repairs directed by the Army Corps to prevent the decertification of the flood control system, the Town's voters via referendum in November of 2007 and again in 2011, approved a total of \$14 million in bonding. The State will reimburse two-thirds of the total repair costs expended by the Town by way of the Connecticut State Department of Environmental Protection up to another \$7 million. Initial indications on this extensive repair project suggest that the total cost of the repairs will be \$26 million.

Financial Information

The Finance Department includes Accounting, Tax Collection, Tax Assessment, Purchasing, Information Technology and Risk Management. In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance to record transactions.

Budgetary Controls

The accounts of the Town are organized in funds and accounted for on the Town's financial management system. Each fund operates with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Budgetary control of disbursements and encumbrances against appropriations is maintained by department, division or major activity. The Town also maintains an encumbrance accounting system as one technique towards accomplishing budgetary control.

The Town Charter prescribes the following as the budgetary sequence and time schedule:

- The Town's departments and commissions receive their budget preparation forms in December.
- In early January the departments and commissions submit budgets to the Finance Department for compilation. The Finance Department also submits an assembled budget to the Mayor.
- During the month of January the Mayor and Finance Director review the budget requests with the departments and commissions. The current year revenues and expenditures are also reviewed and the Board of Education requested budget is forwarded to the Mayor.
- By February 23rd, the Mayor must submit to the Town Council revenue and expenditure estimates for the ensuing fiscal year as the Mayor's Recommended Budget. In the later part of February and the beginning of March, the Town Council holds meetings with the Mayor, Finance Director and all departments and commissions to review recommended budgets.
- During the first week of March, the Town Council holds meetings with the Board of Education to review their budgets. By March 11th, the Town Council must conduct one or more public hearings to review the recommended budget. Within 10 days of the final public hearing, the Town Council must adopt an Approved Budget for the fiscal year which begins July 1 and sets the tax rate for fiscal year which begins July 1.
- In accordance with the recommendations of the Charter Revision Commission, a Budget Referendum may now be called by the Town Council upon receipt of a petition signed by not less than fifteen (15) percent of qualified electors within fifteen days of the final approval of the Town budget by the Town Council. If the majority of the votes at the referendum are in the affirmative and the total number of votes cast is equal to at least twenty (20) percent of qualified electors, the Town Council shall adopt a new budget in accordance with the results of the referendum. No further referendum shall be permitted after adoption of the new budget by the Council. If the referendum fails, the adopted budget becomes the budget for the next fiscal year.

Independent Audit

State Statute and the Town Charter require an annual audit by an independent certified public accountant. The Statute further prescribes that each municipality's annual report shall be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). This report has been prepared in accordance with these standards. The auditors' opinion has been included in this report.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of East Hartford for its comprehensive annual financial report for the last thirty-three (33) fiscal years ended June 30, 1980-2012.

In order to receive the Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The presentation of this report could not have been accomplished without the efficient and dedicated services of the Department of Finance staff. I would like to express my appreciation to all those who may have assisted and contributed to this report. Special appreciation is conveyed to the Finance Department staff, especially Assistant Finance Director Linda Trzetzak, as well as Joanne Zatarain, CPA for Business Services at the Board of Education, who were instrumental in completing the report. I also appreciate the continuing support of the Mayor and the Town Council, and the people of East Hartford who are committed to fiscal integrity and financial leadership.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Michael P. Walsh". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael P. Walsh, Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of East Hartford
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO

Financial Section



Accounting | Tax | Business Consulting

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hartford, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of East Hartford, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Hartford, Connecticut, as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the budgetary comparison information on pages 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the Town of East Hartford, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of East Hartford, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 19, 2013

**TOWN OF EAST HARTFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

Financial Highlights

- Net position of our governmental activities decreased by \$6.8 million, or 7.3%.
- During the year, the Town had expenses of \$218.3 million, which were \$6.8 million more than the \$211.5 million generated in taxes, grants and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$218.3 million.
- The General Fund reported a total fund balance this year of \$14.6 million. The General Fund unassigned component of fund balance was \$13.3 million as of June 30, 2013.
- Actual expenditures were \$169.1 million compared to the final budget of \$169.9 million, resulting in lower expenditures of \$783 thousand.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

In the statement of net position and the statement of activities, the Town reports 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 position 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 position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's 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 position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's combined net position decreased from \$92.3 million to \$85.5 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

Table 1
NET POSITION
(In Thousands)

	Governmental Activities	
	2013	2012
Current and other assets	\$ 41,834	\$ 42,366
Capital assets, net of accumulated depreciation	170,408	173,534
Total assets	<u>212,242</u>	<u>215,900</u>
Long-term debt outstanding	112,519	112,017
Other liabilities	14,218	11,597
Total liabilities	<u>126,737</u>	<u>123,614</u>
Net Position:		
Net investment in capital assets	115,911	112,960
Restricted	171	190
Unrestricted	<u>(30,577)</u>	<u>(20,864)</u>
Total Net Position	<u>\$ 85,505</u>	<u>\$ 92,286</u>

Net position of the Town's governmental activities decreased by \$6.8 million or 7.3%. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - totaled \$(30.6) million at June 30, 2013 compared to \$(20.9) million at June 30, 2012. Various contributing factors resulting in the decrease in net position are discussed following Table 2.

Table 2
CHANGE IN NET POSITION
(In Thousands)

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 11,792	\$ 13,236
Operating grants and contributions	76,654	76,757
Capital grants and contributions	200	276
General revenues:		
Property taxes	116,396	107,062
Grants and contributions not restricted to specific purposes	5,667	6,349
Unrestricted investment earnings	40	67
Other general revenues	745	1,698
Total revenues	<u>211,494</u>	<u>205,445</u>
Program expenses:		
General government	38,508	34,681
Public safety	27,903	29,661
Inspection and permits	656	639
Public works	16,112	13,219
Parks and recreation	3,332	3,165
Health and social services	3,255	3,063
Education	126,568	124,623
Interest on long-term debt	1,941	1,519
Total program expenses	<u>218,275</u>	<u>210,570</u>
Decrease in Net Position	\$ <u>(6,781)</u>	\$ <u>(5,125)</u>

The Town's total revenues were \$211.5 million. The total cost of all programs and services was \$218.3 million. The Town's overall decrease of \$6.8 million in net position compared with a decrease in net position of \$5.1 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.

The Town's program revenues increased \$6.0 million (\$211.5 million compared to \$205.4 million). Increases in property taxes of \$9.3 million were offset by reductions in Charges for Services of \$1.4 million, Other general revenues of \$1 million, and Grants of \$682 thousand.

The total program expenses increased \$7.7 million (\$218.3 million compared with \$210.6 million). General Government spending increased by \$3.8 million primarily due to higher medical expenses paid to the Town's self-insured Medical Reserve Fund of \$2 million and higher General Liability and Worker's Compensation expenses of \$1.4 million due to two severe claims that were settled. Additionally, Public Works spending increased by \$2.9 million due to higher levels of activity in the road maintenance program while Educational spending increased by \$1.9 million due to higher medical expenses for both active employees and retirees.

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)

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
General government	\$ 38,508	\$ 34,681	\$ 36,940	\$ 32,518
Public safety	27,903	29,661	26,191	27,969
Public works	16,112	13,219	15,594	12,743
Parks and recreation	3,332	3,165	2,589	2,572
Education	126,568	124,623	44,989	43,032
All others	5,852	5,221	3,326	1,467
Totals	<u>\$ 218,275</u>	<u>\$ 210,570</u>	<u>\$ 129,629</u>	<u>\$ 120,301</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 \$15.8 million, which is a \$4.4 million decrease from last year's total of \$20.3 million.

The Town's General Fund reported a decrease in fund balance of \$600 thousand while the Capital Improvement Fund experienced a decrease of \$4.0 million. The General Fund's budgetary revenue estimates generated a \$441 thousand favorable variance as reported in RSI-1.

As noted above, the Town's Capital Improvement Fund reported a decrease in fund balance of \$4.0 million as there were no bond issuance proceeds recorded in the fiscal year. Necessary capital lease financing proceeds were used to fund capital expenditures during the fiscal year ended June 30, 2012 and to provide funding for capital expenditures.

The General Fund's original budget was amended (increased) during the year by \$1.9 million and included contributions to the OPEB Trust Fund totaling \$1.1 million to fund the cost of higher medical expenses paid for retirees, a \$500 thousand additional contribution to cover the cost of overtime for Police and Fire personnel due to the minimum staffing requirement imbedded in their collectively bargained labor agreements, and \$250 thousand to fund the net clean-up costs related to Storm Sandy.

The Town's General Fund balance of \$14.6 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$13.3 million. This is principally because budgetary fund balance does not include \$1.3 million of outstanding encumbrances at year-end, which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Town had \$170.4 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 \$3.1 million, or 1.8%, over last year.

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

	Governmental Activities	
	2013	2012
Land	\$ 12,137	\$ 11,952
Buildings and improvements	78,645	81,151
Furniture, vehicles and equipment	7,290	7,282
Infrastructure	51,865	54,038
Construction in progress	20,471	19,111
Totals	<u>\$ 170,408</u>	<u>\$ 173,534</u>

The Town's FY 2013-2014 Adopted Capital Budget calls for it to spend up to \$1.2 million for various capital projects including \$270 thousand for a new automated waste truck, \$240 thousand for eight new Police cars, \$225 thousand for masonry repointing at the Raymond Library, \$150 thousand for tennis court repairs and a new pool house roof, and \$70 thousand for new cardiac monitors for the Fire Department.

Long-Term Debt

At June 30, 2013, the Town had \$39.0 million in bonds outstanding versus \$45.9 million last year - an increase of \$6.9 million or 15.0% - as shown in Table 5. The decrease is a result of the Town paying off existing debt and not issuing any new debt during the reporting period.

Table 5
OUTSTANDING DEBT
(In Millions)

	Governmental Activities	
	2013	2012
General Obligation Bonds	\$ 39.0	\$ 45.9

The Town's general obligation bond rating has been recalibrated and is now an Aa2 rating. The recalibration was a direct result of threatened legal action by the Connecticut Attorney General. Under the old method of rating the caliber of debt issued by an entity, a dual ratings scale would be employed to differentiate debt issued by corporate and government entities. This system was replaced by a single scale with the corresponding reevaluation of each entity resulting in a two grade upgrade for the municipal debt issuer. The move to a single scale rating recognized the near non-existent default rate of Connecticut municipal governments. The new rating has been assigned by national 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 \$728 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 10.6% compared with the prior year of 10.5%.

The appropriation for expenditures totals \$170.2 million in the Adopted Budget for the 2013-2014 fiscal year, representing an increase of 0.5% compared to the final amended budget for the fiscal year ended June 30, 2013.

This small increase in the budget was a result of \$903 thousand of new spending primarily representing a \$1.5 million additional contribution towards education offset by reductions in insurances as the Town's Internal Service Fund reserves have stabilized.

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 2013-2014 fiscal year.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 43.9 for the Adopted Budget for the 2013-2014 fiscal year. This mill rate represents an increase of 1.1 mills which was primarily driven by the increase in the Town's contribution to the education budget.

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.

Basic Financial Statements

TOWN OF EAST HARTFORD, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2013

In Thousands

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 26,798
Investments	330
Receivables, net	10,883
Due from fiduciary funds	3,287
Other assets	536
Capital assets:	
Assets not being depreciated	32,608
Assets being depreciated, net	137,800
Total assets	<u>212,242</u>
Liabilities:	
Accounts and other payables	5,335
Due to other governments	1,138
Unearned revenue	7,745
Noncurrent liabilities:	
Due within one year	16,189
Due in more than one year	96,330
Total liabilities	<u>126,737</u>
Net Position:	
Net investment in capital assets	115,911
Restricted for trust purposes:	
Expendable	171
Unrestricted	<u>(30,577)</u>
Total Net Position	<u>\$ 85,505</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, 2013

In Thousands

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 38,508	\$ 886	\$ 682	\$	\$ (36,940)
Public safety	27,903	1,570	142		(26,191)
Inspections and permits	656	616			(40)
Public works	16,112	140	378		(15,594)
Parks and recreation	3,332	510	33	200	(2,589)
Health and social services	3,255	286	1,624		(1,345)
Education	126,568	7,784	73,795		(44,989)
Interest on long-term debt	1,941				(1,941)
Total	<u>\$ 218,275</u>	<u>\$ 11,792</u>	<u>\$ 76,654</u>	<u>\$ 200</u>	<u>(129,629)</u>
General revenues:					
Property taxes					116,396
Grants and contributions not restricted to specific programs					5,667
Unrestricted investment earnings					40
Other general revenues					745
Total general revenues					<u>122,848</u>
Change in net position					(6,781)
Net Position, Beginning of Year					<u>92,286</u>
Net Position, End of Year					<u>\$ 85,505</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

In Thousands

	<u>General</u>	<u>State and Federal Education Grants</u>	<u>Capital Improvement</u>	<u>Community Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 20,047	\$ 898	\$ 1,925	\$ 17	\$ 433	\$ 23,320
Investments	252				78	330
Receivables, net	7,840	386		1,397	1,260	10,883
Due from other funds	7,081		2,912		1,269	11,262
Other assets					50	50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>35,220</u>	\$ <u>1,284</u>	\$ <u>4,837</u>	\$ <u>1,414</u>	\$ <u>3,090</u>	\$ <u>45,845</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,126	\$ 445	\$ 673	\$ 48	\$ 390	\$ 4,682
Due to other funds	6,509		3,670	68	55	10,302
Due to other governments			1,138			1,138
Deferred revenue	10,959	680		1,281	972	13,892
Total liabilities	<u>20,594</u>	<u>1,125</u>	<u>5,481</u>	<u>1,397</u>	<u>1,417</u>	<u>30,014</u>
Fund balances:						
Nonspendable					171	171
Restricted		159		17	437	613
Committed			7,147		1,065	8,212
Assigned	1,338					1,338
Unassigned	13,288		(7,791)			5,497
Total fund balances	<u>14,626</u>	<u>159</u>	<u>(644)</u>	<u>17</u>	<u>1,673</u>	<u>15,831</u>
Total Liabilities and Fund Balances	\$ <u>35,220</u>	\$ <u>1,284</u>	\$ <u>4,837</u>	\$ <u>1,414</u>	\$ <u>3,090</u>	\$ <u>45,845</u>

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TOWN OF EAST HARTFORD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013

In Thousands

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

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

Fund balances - total governmental funds	\$	15,831
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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	\$	310,520	
Less accumulated depreciation		<u>(140,112)</u>	
Net capital assets			170,408

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	3,388
Interest receivable on property taxes	1,052
Housing rehabilitation loans receivable	1,281
Other accounts receivable	426

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

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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	(1,414)
Net OPEB obligation	(35,336)
Bonds and notes payable	(38,990)
Premium on refunding bonds	(1,490)
Deferred amounts on refunding	488
Bond issuance costs	241
Interest payable on bonds and notes	(294)
Landfill post closure monitoring	(440)
Compensated absences	(15,164)
Retirement obligations	(152)
Capital lease	<u>(14,505)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>85,505</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, 2013

In Thousands

	General	State and Federal Education Grants	Capital Improvement	Community Development	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
General property taxes	\$ 115,890	\$	\$	\$	\$	\$ 115,890
Licenses and permits	782					782
Intergovernmental revenues	59,947	14,622	1,200	452	5,749	81,970
Charges for services	7,102	547			2,915	10,564
Investment income	32				5	37
Other	1,093		85	20	292	1,490
Total revenues	<u>184,846</u>	<u>15,169</u>	<u>1,285</u>	<u>472</u>	<u>8,961</u>	<u>210,733</u>
Expenditures:						
Current:						
General government	34,905			2	543	35,450
Public safety	26,064				785	26,849
Inspection and permits	656					656
Public works	8,535			11	331	8,877
Parks and recreation	2,520				615	3,135
Health and social services	1,430			449	1,307	3,186
Education	100,759	15,227			4,659	120,645
Capital outlay			8,231			8,231
Debt and sundry	9,357		805			10,162
Total expenditures	<u>184,226</u>	<u>15,227</u>	<u>9,036</u>	<u>462</u>	<u>8,240</u>	<u>217,191</u>
Excess (Deficiency) of Revenues over Expenditures	<u>620</u>	<u>(58)</u>	<u>(7,751)</u>	<u>10</u>	<u>721</u>	<u>(6,458)</u>
Other Financing Sources (Uses):						
Refunding bond issuance	12,230					12,230
Premium on refunding bonds	1,076					1,076
Payment to refunded bond escrow agent	(13,188)					(13,188)
Transfers in	512		1,796		39	2,347
Transfers out	(1,835)				(512)	(2,347)
Multi-year lease purchase agreements			1,900			1,900
Total other financing sources (uses)	<u>(1,205)</u>	<u>-</u>	<u>3,696</u>	<u>-</u>	<u>(473)</u>	<u>2,018</u>
Net Change in Fund Balances	(585)	(58)	(4,055)	10	248	(4,440)
Fund Balance, Beginning of Year	<u>15,211</u>	<u>217</u>	<u>3,411</u>	<u>7</u>	<u>1,425</u>	<u>20,271</u>
Fund Balance, End of Year	<u>\$ 14,626</u>	<u>\$ 159</u>	<u>\$ (644)</u>	<u>\$ 17</u>	<u>\$ 1,673</u>	<u>\$ 15,831</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, 2013

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)	\$ (4,440)
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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	3,937
Depreciation expense	(6,899)

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 position differs from the change in fund balance by the cost of the assets sold.	(164)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	411
Property tax interest and lien revenue - accrual basis change	95
Housing rehabilitation loans - accrual basis change	86
Other accounts receivable - accrual basis change	137

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

Issuance of refunding bonds	(12,230)
Payment to escrow agent	13,188
Bond principal payments	5,917
Premium on debt issuance	(1,076)
Capital lease payments	1,898
Capital lease financing	(1,900)
Deferred amounts on refunding, net	331
Amortization of premium on refunding	97
Bond issuance costs, net	93

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	667
Accrued interest	(118)
Retirement obligations	27
Net pension expense	10
Net OPEB expense	(6,924)
Landfill post closure expense	(80)

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.

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Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>(6,781)</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

In Thousands

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:	
Current:	
Cash and cash equivalents	\$ 3,478
Due from other funds	2,328
Other assets	<u>245</u>
Total assets	<u>6,051</u>
Liabilities:	
Current liabilities:	
Accounts payable	359
Due to other funds	1
Risk management claims	<u>2,881</u>
Total current liabilities	<u>3,241</u>
Noncurrent liabilities:	
Risk management claims	<u>2,635</u>
Total liabilities	<u>5,876</u>
Net Position:	
Unrestricted	\$ <u><u>175</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 NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Employer contributions	\$ 20,801
Charges for goods and services	3,805
Other	574
Total operating revenues	<u>25,180</u>
Operating Expenses:	
Claims	22,394
Premiums and administrative charges	2,630
Total operating expenses	<u>25,024</u>
Change in Net Position	156
Total Net Position, Beginning of Year	<u>19</u>
Total Net Position, End of Year	<u>\$ 175</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, 2013

In Thousands

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from employer contributions	\$ 20,596
Cash received from charges for services	4,144
Cash received from other revenues	602
Cash paid for claims	(21,967)
Cash paid to other suppliers for services	(2,483)
Net cash provided by operating activities	<u>892</u>
Net Increase in Cash and Cash Equivalents	892
Cash and Cash Equivalents, Beginning of Year	<u>2,586</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,478</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ <u>156</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in other assets	28
Increase in due from other funds	(200)
Decrease in accounts receivable	339
Decrease in due to other funds	(5)
Increase in accounts payable and accrued liabilities	147
Increase in risk management claims	427
Total adjustments	<u>736</u>
Net Cash Provided by Operating Activities	<u><u>\$ 892</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

In Thousands

	Pension Trust Fund	Retiree Benefit Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 1,118	\$	\$ 1,225
Accounts receivable		80	
Investments - mutual funds	<u>194,601</u>	<u>4,250</u>	<u></u>
Total Assets	<u>195,719</u>	<u>4,330</u>	<u>\$ 1,225</u>
Liabilities:			
Accounts payable	20	7	\$
Due to other funds		3,287	
Due to student groups and agencies	<u></u>	<u></u>	<u>1,225</u>
Total Liabilities	<u>20</u>	<u>3,294</u>	<u>\$ 1,225</u>
Net Position:			
Held in Trust for Pension Benefits	<u>\$ 195,699</u>	<u>\$ 1,036</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

	Pension Trust Fund	Retiree Benefit Trust Fund
Additions:		
Contributions:		
Employer	\$ 9,372	\$ 3,683
Plan members	3,202	2,272
Total contributions	<u>12,574</u>	<u>5,955</u>
Investment income:		
Net appreciation in fair value of investments	15,838	185
Interest and dividends	5,842	121
Total investment income	<u>21,680</u>	<u>306</u>
Less investment expense	(59)	
Net investment income	<u>21,621</u>	<u>306</u>
Total additions	<u>34,195</u>	<u>6,261</u>
Deductions:		
Benefits	18,327	5,597
Administration	169	26
Total deductions	<u>18,496</u>	<u>5,623</u>
Net Increase	15,699	638
Net Position - Beginning of Year	<u>180,000</u>	<u>398</u>
Net Position - End of Year	<u>\$ 195,699</u>	<u>\$ 1,036</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

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 position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds, 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.

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 State and Federal Education Grants Fund accounts for education programs not included in the General Fund budget. The major source of revenue for this fund is education grants.

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. The major source of revenue for this fund is grants.

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 Retiree Benefit Trust Fund accounts for the activities of the Town's retiree healthcare system, which accumulates resources for healthcare 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. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

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

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 position. 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

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

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

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

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

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

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

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

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority, East Hartford Town Council, by adopting a resolution.

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the Town Council or department head as specified in the Town Charter.

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

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 \$1,893,000 from undesignated fund balance. Appropriations lapse at year end, except appropriations for capital projects that 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 either restricted, committed or assigned fund balance depending on the level of restriction. The commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities. At year end the amount of encumbrances expected to be honored upon performance by the vendor were as follows:

General Fund	\$	1,338
Capital Improvement Fund		7,147
State and Federal Education Grants		2
Community Development		17
Nonmajor Governmental Funds		<u>255</u>
Total	\$	<u><u>8,759</u></u>

B. Deficit Fund Equity

Capital Improvement Fund	\$	644
Internal Service Funds:		
Workers' Compensation		1,899

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.

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$15,559 of the Town's bank balance of \$16,823 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,999
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,560</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 15,559</u></u>

Cash Equivalents

At June 30, 2013, the Town's cash equivalents amounted to \$12,759. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than 90 days.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF) Cutwater Asset Management - Connecticut	AAAm
CLASS Plus Charles Schwab Money Market* Aetna Disbursement Payment Account*	AAAm

*Not rated

Investments

As of June 30, 2013, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Interest-bearing investments:					
Certificates of deposit	N/A	\$ 252	\$ 252	\$	\$
U.S. Government obligations	AAA	78			78
			\$ 252	\$ -	\$ 78
Other investments:					
Mutual funds	N/A	198,851			
Total Investments		\$ 199,181			

N/A Not applicable

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 packages 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 that 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>State and Federal Education Grants</u>	<u>Community Development Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 5,116	\$	\$	\$	\$ 5,116
Accrued interest	1,172				1,172
Intergovernmental	1,217	386	116	834	2,553
Accounts	1,825			581	2,406
Loans and accrued interest on loans			1,281		1,281
Gross receivables	<u>9,330</u>	<u>386</u>	<u>1,397</u>	<u>1,415</u>	<u>12,528</u>
Less allowance for uncollectibles:					
Taxes	(395)				(395)
Accrued interest on taxes	(120)				(120)
Accounts	(975)			(75)	(1,050)
Total allowance	<u>(1,490)</u>	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>(1,565)</u>
Net Total Receivables	<u>\$ 7,840</u>	<u>\$ 386</u>	<u>\$ 1,397</u>	<u>\$ 1,340</u>	<u>\$ 10,963</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	\$ 3,388	\$	\$ 3,388
Accrued interest on delinquent property taxes	1,052		1,052
Advance tax collections		6,519	6,519
State and Federal Education Grants Fund:			
Unearned grant revenue		680	680
Community Development Fund:			
Housing loans and interest	1,281		1,281
Nonmajor funds:			
Advance program fee collections		127	127
Grant drawdowns prior to meeting all eligibility requirements		419	419
Other deferred receivables	<u>426</u>		<u>426</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,147</u>	<u>\$ 7,745</u>	<u>\$ 13,892</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 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	\$ 11,952	\$ 185	\$	\$ 12,137
Construction in progress	<u>19,111</u>	<u>2,020</u>	<u>660</u>	<u>20,471</u>
Total capital assets not being depreciated	<u>31,063</u>	<u>2,205</u>	<u>660</u>	<u>32,608</u>
Capital assets being depreciated:				
Buildings and improvements	130,574	794	449	130,919
Furniture, fixtures, vehicles and equipment	27,798	1,598	855	28,541
Infrastructure	<u>118,452</u>			<u>118,452</u>
Total capital assets being depreciated	<u>276,824</u>	<u>2,392</u>	<u>1,304</u>	<u>277,912</u>
Less accumulated depreciation for:				
Buildings and improvements	49,423	3,300	449	52,274
Furniture, fixtures, vehicles and equipment	20,516	1,426	691	21,251
Infrastructure	<u>64,414</u>	<u>2,173</u>		<u>66,587</u>
Total accumulated depreciation	<u>134,353</u>	<u>6,899</u>	<u>1,140</u>	<u>140,112</u>
Total capital assets being depreciated, net	<u>142,471</u>	<u>(4,507)</u>	<u>164</u>	<u>137,800</u>
Governmental Activities Capital Assets, Net	\$ <u>173,534</u>	\$ <u>(2,302)</u>	\$ <u>824</u>	\$ <u>170,408</u>

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

Governmental activities:	
General government	\$ 477
Public safety	1,096
Public works	3,011
Parks and recreation	194
Health and social services	14
Education	<u>2,107</u>
Total Depreciation Expense - Governmental Activities	\$ <u>6,899</u>

Construction Commitments

The Town has the following active construction projects as of June 30, 2013. 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, 2013</u>
2012 Authorization	\$ 15,700	\$	\$	\$ 15,700
2010 Authorization	10,000	5,977	1,771	2,252
2008 Authorization	14,835	12,832	653	1,350
2007 Authorization	21,000	13,597	4,032	3,371
2006 Authorization	17,584	17,000		584
Main & School Street Projects	2,260	1,788		472
Town - Capital and Nonrecurring	53			53
BOE - Capital and Nonrecurring	750	581	116	53
Capital leases	10,900	9,423	575	902
Total	<u>\$ 93,082</u>	<u>\$ 61,198</u>	<u>\$ 7,147</u>	<u>\$ 24,737</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through one 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, 2013 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Fund	\$ 68
	Capital Improvements	3,670
	Nonmajor Governmental Funds	55
	Internal Service Fund	1
	Other Post Employment Benefit Fund	<u>3,287</u>
		7,081
Capital Improvement Fund	General Fund	2,912
Nonmajor Governmental Funds	General Fund	1,269
Internal Service Fund	General Fund	<u>2,328</u>
Total		<u>\$ 13,590</u>

A summary of interfund transfers is presented below:

	Transfers In			Total
	General Fund	Capital Improvements	Nonmajor Governmental	Transfers Out
Transfers out:				
General Fund	\$	\$	\$	\$
Nonmajor governmental	512	1,796	39	1,835
	<u>512</u>	<u>1,796</u>	<u>39</u>	<u>2,347</u>
Total Transfers In	\$ <u>512</u>	\$ <u>1,796</u>	\$ <u>39</u>	\$ <u>2,347</u>

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 45,865	\$ 12,230	\$ 19,105	\$ 38,990	\$ 6,510
Premium on refunding bonds	511	1,076	97	1,490	
Less deferred amounts on refunding	(157)	(363)	(32)	(488)	
Total bonds payable	<u>46,219</u>	<u>12,943</u>	<u>19,170</u>	<u>39,992</u>	<u>6,510</u>
Capital leases	14,503	1,900	1,898	14,505	2,028
Landfill postclosure monitoring	360	80		440	23
Compensated absences	15,831	4,069	4,736	15,164	4,747
Retirement obligations	179	439	466	152	
Net OPEB obligation	28,412	12,890	5,966	35,336	
Net pension obligation	1,424	9,362	9,372	1,414	
Risk management claims	<u>5,089</u>	<u>22,821</u>	<u>22,394</u>	<u>5,516</u>	<u>2,881</u>
Governmental Activities Long-Term Liabilities	\$ <u>112,017</u>	\$ <u>64,504</u>	\$ <u>64,002</u>	\$ <u>112,519</u>	\$ <u>16,189</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, 2013 are comprised of the following individual issues:

Description	Interest Rate %	Issue Date	Maturity Date	Original Amount	Balance Outstanding June 30, 2013
Refunding - partial refunding of issue dated 5/1/02	2.000 - 5.250	4/1/2003	5/1/2015	\$ 9,470	\$ 3,470
Refunding - issues dated 5/1/03	3.000 - 5.000	9/15/2009	5/1/2023	8,370	5,085
General purpose and school improvements	2.000 - 3.250	12/15/2009	12/15/2019	8,675	3,875
General purpose	2.000 - 5.000	7/1/2011	7/1/2021	11,000	11,000
General purpose and school improvements	2.000 - 3.000	7/1/2011	7/1/2015	5,280	3,330
General purpose and school improvements	2.000 - 3.000	2/26/2013	2/26/2028	12,230	12,230
Total					<u>\$ 38,990</u>

The annual requirements to amortize bonds payable as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 6,510	\$ 1,269	\$ 7,779
2015	6,670	1,060	7,730
2016	4,030	842	4,872
2017	4,030	728	4,758
2018	4,160	623	4,783
2019-2023	11,915	1,197	13,112
2024-2028	<u>1,675</u>	<u>134</u>	<u>1,809</u>
Total	<u>\$ 38,990</u>	<u>\$ 5,853</u>	<u>\$ 44,843</u>

General Obligation Bonds - Current Refunding

On February 26, 2013, the Town issued \$12,230 of general obligation refunding bonds with interest rates ranging from 2% to 4%. The proceeds were used to currently refund all or a portion of the outstanding maturities of \$9,525 of the Town's Refunded 2008 Bonds dated June 1, 2008 and \$3,300 of the 2009 Series B dated December 15, 2009. The net proceeds of \$13,306 (including a premium of \$1,076 and issuance costs of \$117 including underwriter's fees) were wired to the paying agent to pay the principal, interest and redemption premium of the refunded bonds. As a result, the Series 2008 and Series 2009 general obligation bonds, or a portion thereof, are considered defeased and the liability for those bonds has been removed from the statement of net position. The refunding will reduce total debt service payments over the next 5 years by approximately \$1,025 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$1,000. The defeased balance of refunded bonds at June 30, 2013 was \$3,300. The Town has funds in an irrevocable trust account to provide for all future debt service payments on the old bonds of \$3,441 at June 30, 2013.

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

Description	Authorized	Grants Received	Bonds Issued/ Paydowns	Authorized Unissued
Public Safety Complex - BOE Maintenance Facility and Offices	\$ 29,526	\$ 2,539	\$ 26,421	\$ 566
East Hartford Middle School Improvements	5,731	2,445	3,226	60
East Hartford High School Renovations and Improvements	11,640	7,184	4,100	356
Fire Station/Masonry Restoration at Town Hall/Roof Replacement at Cultural and Community Center	7,400	3,660	2,900	840
Road Improvements 2010	10,000		3,000	7,000
Raymond Library Improvements	2,100			2,100
Flood Control System Improve 2010	7,000			7,000
Road Improvements 2012	10,000			10,000
East Hartford Middle School Window wall	5,700			5,700
Total	\$ 89,097	\$ 15,828	\$ 39,647	\$ 33,622

The Town's indebtedness (\$136,287) does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 260,687	\$ 64,878	\$ 195,809
Schools	521,375	7,734	513,641
Sewers	434,479	63,675	370,804
Urban renewal	376,548		376,548
Pension deficit	347,583		347,583

The total overall statutory debt limitation for the Town is equal to seven times annual receipts from taxation (\$811,027).

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which debt is issued and outstanding.

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	\$	12,407
Vehicles		7,987
Equipment		3,887
Furniture		315
Total gross value		<u>24,596</u>
Less accumulated depreciation		<u>(10,091)</u>
Net Book Value	\$	<u><u>14,505</u></u>

The net book value approximates the capital lease principal balance payable at June 30, 2013.

Principal payments for 2012-2013 were \$1,898. The following is a summary of capital lease commitments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 2,503
2015	2,279
2016	2,349
2017	1,855
2018	1,368
Thereafter	<u>7,655</u>
Total minimum lease payments	18,009
Less amount representing interest	<u>(3,504)</u>
Present Value of Minimum Lease Payments	\$ <u><u>14,505</u></u>

Landfill Closure

The Town completed the capping of its 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 19-year monitoring period are \$440. 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, 2013:

Vested:		
Sick	\$	6,006
Vacation		2,644
Compensatory		510
Nonvested:		
Sick		<u>6,004</u> *
Total	\$	<u><u>15,164</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 \$152 consist of amounts due to employees, payable upon retirement, representing deferred commitments awarded to employees in 1992 in lieu of receiving raises for that year.

8. OPERATING 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 BALANCE

The components of fund balance for the governmental funds at June 30, 2013 are as follows:

	Major Funds					
	General Fund	State and Federal Education Grants Fund	Capital Improvement Fund	Community Development Fund	Nonmajor Governmental Funds	Total
Fund balances:						
Nonspendable:						
Endowment	\$	\$	\$	\$	\$ 171	\$ 171
Restricted for:						
Grants		159		17	66	242
Donations					371	371
Committed to:						
Capital projects			7,147			7,147
Redevelopment					101	101
School cafeteria					582	582
Youth services					22	22
Recreation programs					272	272
Education programs					88	88
Assigned to:						
Purchases on order	1,338					1,338
Unassigned	<u>13,288</u>		<u>(7,791)</u>			<u>5,497</u>
Total Fund Balances	\$ <u>14,626</u>	\$ <u>159</u>	\$ <u>(644)</u>	\$ <u>17</u>	\$ <u>1,673</u>	\$ <u>15,831</u>

Significant encumbrances at June 30, 2013 are contained in the above table in the restricted or assigned category of the General Fund and Capital Improvement Fund.

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 \$3,055 for the Workers' Compensation Fund, reported at June 30, 2013, is based on a summary report of outstanding liabilities for workers compensation and heart and hypertension claims. The claims liability of \$1,316 for the Health Benefits Fund, reported at June 30, 2013, is based on estimated claims incurred but not reported. A claims liability of \$1,145 for the General Liability Fund, reported at June 30, 2013, is based on a summary loss report of outstanding liabilities by coverage. The changes in the claims liability were as follows:

<u>Fiscal Year</u>	<u>Accrued Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Accrued Liability Claim Payments</u>	<u>Accrued Liability End of Fiscal Year</u>
2012-13	\$ 5,089	\$ 22,821	\$ 22,394	\$ 5,516
2011-12	5,734	18,895	19,540	5,089

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 outstanding debt. As such, the Town's overlapping share of debt issued by the Metropolitan District is \$63,675 as of June 30, 2013.

12. POST EMPLOYMENT HEALTHCARE PLAN - RETIREE HEALTH PLAN

Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Retiree Health Plan (RHP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the Town.

Investments are reported at fair value. Investment income is recognized as earned.

Plan Description

The RHP is a single-employer defined benefit healthcare plan administered by the Town. The RHP provides medical, dental and life insurance benefits to eligible retirees and their spouses. All employees of the Town are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees.

The plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Retiree Benefit Trust Fund. The plan does not issue a stand-alone financial report.

At July 1, 2011, plan membership consisted of the following:

	Retiree Health Plan <i>(not rounded)</i>
Retired members and spouses	1,189
Active plan members	<u>1,357</u>
Total Participants	<u><u>2,546</u></u>

Funding Policy

The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

Town Employees (not rounded)

The cost per month for Town employees receiving medical coverage under Anthem or ConnectiCare is \$626 per month for retiree only coverage and \$1,252 per month for retiree and spouse coverage to age 65, and \$169 and \$338 per month, respectively, thereafter.

Board of Education Employees (not rounded)

The cost per month for Board of Education employees receiving medical coverage under Anthem or ConnectiCare is \$553 per month for retiree only coverage and \$1,106 per month for retiree and spouse coverage to age 65, and \$553 and \$1,106 per month, respectively, thereafter. The cost per month for Board of Education employees receiving dental coverage under Anthem is \$43 per month for retiree only coverage and \$113 per month for retiree and spouse coverage.

For the year ended June 30, 2013, plan members contributed \$2,272. The Town is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the Town in order to prefund benefits.

Employer contributions to the plan of \$5,966 were made in accordance with actuarially determined requirements, which represent premium payments.

Annual OPEB Cost and Net OPEB Obligations

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

		Other Post Employment Benefits (OPEB)
Annual required contribution (ARC)	\$	12,935
Interest on net OPEB obligation		1,137
Adjustment to annual required contribution		(1,182)
Annual OPEB cost		12,890
Contributions made		5,966
Increase in net OPEB obligation		6,924
Net OPEB obligation, beginning of year		28,412
Net OPEB Obligation, End of Year	\$	35,336

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, 2013, 2012 and 2011 are presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/11	\$ 10,880	\$ 4,347	40.0 %	\$ 21,794
6/30/12	11,284	4,666	41.4	28,412
6/30/13	12,890	5,966	46.3	35,336

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

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, 2011 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 6.7% is used initially, decreasing 3% per year to an ultimate rate of 4.7% for 2012 and later. The remaining amortization period at July 1, 2011 was 30 years decreasing, closed.

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 beginning with July 1, 2007 due to this being the first valuation.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 128,765	- %	N/A	N/A
7/1/2009	2,404	129,899	1.85	N/A	N/A
7/1/2011	525	148,883	0.35	37,198	399%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/11	\$ 10,857	40.0 %
6/30/12	11,284	41.4
6/30/13	12,935	46.1

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'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, paraprofessionals 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, 2012, the date of the latest actuarial valuation:

Retiree, disabled and beneficiaries currently receiving benefits	608
Terminated employees entitled to benefits but not yet receiving them	20
Current employees:	
Vested	466
Nonvested	206
Inactive participants eligible for a refund of contributions	<u>85</u>
Total	<u><u>1,385</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: The following changes were made for the July 1, 2012 valuation:

- The investment return assumption was changed from 8.25% to 8.00%.
- Annual assumed salary increases decreased from 5.00% to 4.00%.
- Mortality table changes were made.
- Withdrawal rates for police and fire employees are no longer cut off at age 41; they continue until the earlier of age 49 or the year prior to projected normal retirement.
- The impact of these changes was an increase in the annual required contribution of \$352,581.

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	8.00 %
Firefighters	8.00
Police Officers	8.00
Paraprofessionals	6.00
Dispatchers	8.00

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 22.7% of covered payroll. The annual required contribution for the current year was determined as part of the PERS actuarial valuation dated July 1, 2012.

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	\$ 9,331
Interest on net pension obligation	114
Adjustment to annual required contribution	<u>(83)</u>
Annual pension cost	9,362
Contributions made	<u>9,372</u>
Decrease in net pension obligation	(10)
Net pension obligation, beginning of year	<u>1,424</u>
Net Pension Obligation, End of Year	<u><u>\$ 1,414</u></u>

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

Actuarial valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll, 3.50% increases
Remaining amortization period	30 years, closed
Asset valuation method	Asset smoothing
Actuarial assumptions:	
Investment rate of return	8.00% per annum
Projected salary increases*	4%
*Includes inflation rate	3%

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 8,469	99.8 %	\$ 1,390
6/30/12	9,241	99.6	1,424
6/30/13	9,362	100.1	1,414

F. Pension Plan Required Supplementary Information

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
7/01/07	\$ 178,467	\$ 227,288	\$ 48,821	78.5 %	\$ 41,759	116.9 %
7/01/08	183,323	238,447	55,124	76.9	42,000	131.2
7/01/09	170,923	250,682	79,759	68.2	41,056	194.3
7/01/10	173,764	261,204	87,440	66.5	41,404	211.2
7/01/11	181,960	269,047	87,087	67.6	42,374	205.5
7/01/12	187,259	293,268	106,009	63.9	41,164	257.5

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
6/30/08	\$ 7,147	\$ 7,176	100 %
6/30/09	7,407	7,407	100
6/30/10	8,189	8,180	100
6/30/11	8,434	8,451	100
6/30/12	9,207	9,207	100
6/30/13	9,331	9,372	100

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. Teacher payroll subject to retirement amounted to \$49,988.

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. For the year ended June 30, 2013, the Town has recorded in the General Fund (Exhibit IV) intergovernmental revenue schools and schools expenditures in the amount of \$10,248 as payments made by the State of Connecticut on behalf of the Town. The Town does not have any liability for teacher pensions.

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.

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, deficiencies were discovered. As a result, the Army Corps has directed the Town to address and repair all deficiencies in an effort to provide maximum protection for residents.

In response to the Army Corps of Engineer's directives, the Town, since 2007, has been systematically addressing necessary repairs and corrections to the levee system including pile driven steel sheeting to further stabilize the earthen dike. A host of maintenance on pump station roofs, doors, windows and masonry has also been completed.

Additional work remains to be completed and includes new pumps, water gates and the removal of sediment build-up in the retention pond off Pitkin Street. New toe drains to replace broken, sediment filled or disconnected toe drains need to be installed to keep the land side of the levee dry to prevent impairment to the earthen structure.

In order to fund the repairs directed by the Army Corps to prevent the decertification of our flood control system, Town voters, in November of 2007 and again in November of 2011, approved two individual \$7,000 bond authorizations to provide funding for the estimated cost of repairs.

To date, the Town has expended \$14,000 on required improvements, including the \$7,000 bond approved by voters in 2007 that was coupled with \$7,000 secured in State grant reimbursement by way of the Connecticut State Department of Environmental Protection. The \$7,000 voter authorization in 2011 will also be directed to repairs beginning in the spring of 2012, bringing the total spent on the project to \$21,000.

Engineers are currently working on the final list of repair items. A total cost of the repairs has been estimated at \$26,000 but final costs will not be known until all work is competitively bid and awarded. The Town is actively pursuing project cost assistance both at the State and Federal levels to complete the work.

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 ongoing. 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.

During 2009, a personal property settlement was assessed against the Town by a manufacturing company. The settlement stipulated that the Town of East Hartford refund personal property taxes in the amount of \$4,000 in 36 bi-annual credits commencing with the property tax bills due July 1, 2009, and ending with the property tax bills due January 1, 2027. The first 35 credits each will be in the amount of \$113. The final credit, to be provided as of January 1, 2027, will be in the amount of \$63.

Required Supplementary Information

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, 2013

In Thousands

	Budgeted Amounts			
	Original	Final	Actual	Variance
General property taxes:				
Current tax levy	\$ 111,734	\$ 111,734	\$ 113,118	\$ 1,384
Prior years levy	1,400	1,400	1,442	42
Interest and liens	1,200	1,200	1,330	130
Total	<u>114,334</u>	<u>114,334</u>	<u>115,890</u>	<u>1,556</u>
Licenses and permits:				
Sporting	1	1		(1)
Protective	13	13	18	5
Amusement	2	2	1	(1)
Building structures and equipment	1,100	1,100	599	(501)
Street privilege and use	11	11	7	(4)
Health	70	70	70	-
Other licenses and fees	111	111	87	(24)
Total	<u>1,308</u>	<u>1,308</u>	<u>782</u>	<u>(526)</u>
Intergovernmental revenues:				
Pilot/Economic Development			40	40
Housing in lieu of taxes - State	65	65	111	46
Pilot - State Property	628	628	658	30
Boat registration	19	19		(19)
Distressed Municipalities	95	95	104	9
Housing in lieu of taxes - Federal	60	60	80	20
State relief - circuit breaker	375	375	370	(5)
Elderly taxes	6	6	2	(4)
Disability exemptions	10	10	11	1
Veterans exemptions	40	40	45	5
Abandoned motor vehicles	1	1	3	2
Education cost sharing	41,711	41,711	41,649	(62)
Pequot funds	298	298	307	9
Special education	2,000	2,000	1,556	(444)
Health and welfare	60	60	31	(29)
Transportation	537	537	534	(3)
Revenue sharing	3,576	3,576	3,530	(46)
UMTA	13	13	13	-
Youth Services	39	39	39	-
Total	<u>49,533</u>	<u>49,533</u>	<u>49,083</u>	<u>(450)</u>
Charges for services:				
Town Clerk	745	745	595	(150)
Public Safety	506	506	160	(346)
Emergency Management			49	49
Public Works	150	150	132	(18)
Libraries	20	20	19	(1)
Recreation	105	105	88	(17)
Cemeteries	165	165	185	20
Total	<u>1,691</u>	<u>1,691</u>	<u>1,228</u>	<u>(463)</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, 2013

In Thousands

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Use of money:				
Interest from investments	\$ 50	\$ 50	\$ 32	\$ (18)
Fines and forfeits:				
Traffic tags and motor vehicle fines	70	70	62	(8)
Other revenue:				
In lieu of taxes/telephone	144	144	131	(13)
Rentals	230	230	215	(15)
Compensation and insurance refunds	80	80	96	16
Miscellaneous	220	220	395	175
Total	<u>674</u>	<u>674</u>	<u>837</u>	<u>163</u>
Total revenues	<u>167,660</u>	<u>167,660</u>	<u>167,914</u>	<u>254</u>
Other financing sources:				
Appropriation of fund balance		1,893		(1,893)
Transfers in:				
Capital Improvement Fund	10	10		(10)
Nonmajor funds	<u>315</u>	<u>315</u>	<u>512</u>	<u>197</u>
Total other financing sources	<u>325</u>	<u>2,218</u>	<u>512</u>	<u>(1,706)</u>
Total	\$ <u>167,985</u>	\$ <u>169,878</u>	168,426	\$ <u>(1,452)</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.	10,248
Under liquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for GAAP financial reporting purposes.	(26)
Refunding bonds issued	12,230
Premium on refunding bonds issued	1,076
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>6,710</u>

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV	\$ <u>198,664</u>
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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, 2013

In Thousands

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government:				
Town Council	\$ 156	\$ 154	\$ 148	\$ 6
Town Clerk	254	278	266	12
Registrar	93	129	128	1
Selectmen	2	2	2	-
Mayor's Office	393	386	352	34
Corporation Counsel	406	491	491	-
Personnel	260	255	254	1
Libraries	1,161	1,101	1,080	21
Probate	26	26	17	9
Youth services	377	397	396	1
Grants administration	68	73	68	5
Finance administration	121	218	215	3
Accounts and control	308	330	327	3
Data processing	1,212	1,215	1,212	3
Purchasing	236	203	201	2
Treasury	4	4	4	-
Assessing	365	388	383	5
Revenue and collections	338	333	332	1
Employee benefits	21,867	23,654	23,653	1
Risk management	1,053	1,057	1,056	1
Development	225	228	220	8
Economic development	21	21	15	6
Planning and Zoning	60	59	22	37
Inland Wetlands	7	7	4	3
Redevelopment Agency	2	2	1	1
Z.B.A.	5	5	4	1
Boards, committees and commissions	39	39	23	16
M.D.C.	3,949	4,035	4,035	-
Contingency	1,377	9		9
Total general government	34,385	35,099	34,909	190
Public safety:				
Police:				
Administration	11,429	11,791	11,763	28
Operations	40	72	69	3
Criminal investigation	18	17	15	2
Communications	1,499	1,480	1,475	5
Total police	12,986	13,360	13,322	38
Fire:				
Administration	545	571	564	7
Fire suppression	9,443	10,330	10,272	58
Fire Marshal	387	394	392	2
Fire apparatus maintenance	435	478	458	20
Fire alarm maintenance	274	281	260	21
Emergency medical services	540	522	491	31
Emergency management	77	82	79	3
Training	152	124	121	3
Total fire	11,853	12,782	12,637	145
Total public safety	24,839	26,142	25,959	183
Inspections and permits	657	676	667	9

(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, 2013

In Thousands

	Budgeted Amounts		Actual	Variance
	Original	Final		
Public works:				
Administration	\$ 231	\$ 250	\$ 242	\$ 8
Engineering	566	553	521	32
Highway services	2,637	2,775	2,687	88
Waste services	2,313	2,252	2,190	62
Fleet services	1,589	1,655	1,589	66
Building maintenance	1,189	1,355	1,298	57
Public Safety Complex	217	248	225	23
Total public works	<u>8,742</u>	<u>9,088</u>	<u>8,752</u>	<u>336</u>
Parks and recreation:				
Administration	975	895	884	11
Maintenance	1,453	1,347	1,345	2
Park other facilities	312	280	275	5
Fine arts	20	20	20	-
Total parks and recreation	<u>2,760</u>	<u>2,542</u>	<u>2,524</u>	<u>18</u>
Health and social services:				
Administration	103	104	103	1
Community health and nursing	138	131	114	17
Social services	262	256	240	16
Elderly services - commissions	6	6	6	-
Elderly services	686	733	725	8
Community service persons disabilities	3	3	2	1
Environment control	217	242	240	2
Total health and social services	<u>1,415</u>	<u>1,475</u>	<u>1,430</u>	<u>45</u>
Education	<u>85,766</u>	<u>85,766</u>	<u>85,765</u>	<u>1</u>
Debt service:				
Bond principal and interest	8,099	7,703	7,703	-
Capital improvement - lease financing	<u>1,322</u>	<u>1,317</u>	<u>1,316</u>	<u>1</u>
Total debt service	<u>9,421</u>	<u>9,020</u>	<u>9,019</u>	<u>1</u>
Transfers out:				
Capital Improvement Funds		70	70	-
Special Revenue Funds				-
Total transfers out	<u>-</u>	<u>70</u>	<u>70</u>	<u>-</u>
Total	<u>\$ 167,985</u>	<u>\$ 169,878</u>	169,095	<u>\$ 783</u>

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.

10,248

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.

(1,219)

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.

1,109

Payment to refunding bond escrow agent.

13,188

Debt issuance costs associated with bond refundings are not budgeted.

118

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.

6,490

The Town does not budget for proceeds from other organizations associated with capital leases which are credited to debt service expenditures for budgetary purposes. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

220Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues,
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV\$ 199,249

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

The General Fund is the principal fund of the Town and is used to account for all activities of the Town not included in other specific funds. The General Fund accounts for the normal recurring activities of the Town (i.e., police, fire, education, recreation, public works, general government, etc.). These activities are funded principally by property taxes on individuals and businesses, and grants from other governmental units.

TOWN OF EAST HARTFORD, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2013 AND 2012

In Thousands

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 20,047	\$ 23,222
Investments	252	250
Receivables:		
Property taxes receivable, net	4,721	4,280
Property taxes accrued interest receivable, net	1,052	957
Accounts receivable, net	850	561
Due from other governments	1,217	2,792
Due from other funds	<u>7,081</u>	<u>2,352</u>
Total Assets	<u>\$ 35,220</u>	<u>\$ 34,414</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,126	\$ 2,738
Due to other funds	6,509	7,411
Deferred revenue	<u>10,959</u>	<u>9,054</u>
Total liabilities	<u>20,594</u>	<u>19,203</u>
Fund balance:		
Assigned	1,338	1,257
Unassigned	<u>13,288</u>	<u>13,954</u>
Total fund balance	<u>14,626</u>	<u>15,211</u>
Total Liabilities and Fund Balance	<u>\$ 35,220</u>	<u>\$ 34,414</u>

TOWN OF EAST HARTFORD, CONNECTICUT

REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

Grand List Year	Uncollected Taxes July 1, 2012	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Taxes Collected	Interest	Lien Fees	Total Collected	Uncollected Taxes June 30, 2013	**
		Additions	Deductions								
2011	\$ 115,680 *	\$ 197	\$ 721	\$ 1	\$ 115,155	\$ 111,797	\$ 514	\$ 53	\$ 112,364	\$ 3,358	
2010	2,912	69	39		2,942	1,787	393	13	2,193	1,155	
2009	1,233	42	19	346	910	666	161	4	831	244	
2008	284	1	4		281	117	48	1	166	164	
2007	99	1	5		95	44	27	1	72	51	
2006	59	11	2		68	15	10		25	53	
2005	35	2	2		35	5	4		9	30	
2004	1	13	1		13	3	2		5	10	
2003	(10)	18	1		7	(1)			(1)	8	
2002	(22)	28	2		4	(2)			(2)	6	
2001	(7)	11	1		3	(2)			(2)	5	
2000	(8)	13	2		3				-	3	
1999	6	2	1		7				-	7	
1998	2	1	1		2				-	2	
1997		3			3				-	3	
Total	\$ <u>120,264</u>	\$ <u>412</u>	\$ <u>801</u>	\$ <u>347</u>	\$ <u>119,528</u>	\$ <u>114,429</u>	\$ <u>1,159</u>	\$ <u>72</u>	115,660	\$ <u>5,099</u>	
Suspense collections									186		
Tax overpayment balance - June 30, 2012									30		
Tax overpayment balance - June 30, 2013									(17)		
Total tax collections									115,859		
Property taxes receivable considered available:											
June 30, 2012									(1,302)		
June 30, 2013									1,333		
Total									\$ <u>115,890</u>		

* Includes MVS tax levy of \$1589.

** Amount represents property tax receivable of \$5,116 less overcollected balance of \$17, which is recorded as accounts payable.

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established in the Town of East Hartford pursuant to State Statutes or local ordinances and resolutions. The criteria for the creation of a Special Revenue Fund are generally the desire or need to conspicuously segregate revenues, which are to be utilized for special and specific purposes, or expenditures incurred for the performance of specific activities, or both.

Fund	Funding Source	Function
Redevelopment	Bonds	Operation of the South Meadows redevelopment
School Cafeteria	Sale of food and grants	School lunch and breakfast programs
WIC Fund	Federal grant	Women, Infant and Children Health Program
Youth Services	State and federal grants	Town Youth Services Department
Dog Fund	Licenses and fees	Animal control program
Town Aid Road	State grant	General town road maintenance
Special State Grant Programs	State grant	Various state funded programs
Miscellaneous Projects and Programs	Various	Miscellaneous activities
Local Capital Improvement Program	State grant	Capital improvements
Health Service Grant	State grant	Health services
Police Private Duty	Charges for services	Police services - private duty
Parks and Recreation	Charges for services	Recreational programs
Hockanum River Linear Park	State grant	Park renovations
Danahy Scholarship Fund	Trust and investment income	Scholarships to high school students
Brewer House Trust	Trust and investment income	Maintaining the Selden Brewer House
Education Scholarships Fund	Contributions	Scholarships to students
Education Fee Based Programs	Charges for services	Education programs

TOWN OF EAST HARTFORD, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDSJUNE 30, 2013
In Thousands

	Special Revenue									
	Redevelopment	School Cafeteria	WIC Fund	Youth Services	Dog Fund	Town Aid Road	Special State Grant Programs	Miscellaneous Projects and Programs	Local Capital Improvement Program	Health Service Grant
ASSETS										
Cash and cash equivalents	\$	\$ 265	\$	\$	\$	\$	\$	\$	\$	\$
Investments										
Accounts receivable, net		588	26	29			156		35	
Due from other governments				14	11		290	413		43
Due from other funds	101									
Other assets										
Total Assets	\$ 101	\$ 853	\$ 26	\$ 43	\$ 11	\$ -	\$ 446	\$ 413	\$ 35	\$ 43
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$	\$ 271	\$	\$ 14	\$ 11	\$	\$ 45	\$ 8	\$ 6	\$
Due to other funds			26						29	
Deferred revenue				7			369			43
Total liabilities	-	271	26	21	11	-	414	8	35	43
Fund balances:										
Nonspendable										
Restricted							32	405		
Committed	101	582		22						
Total fund balance	101	582	-	22	-	-	32	405	-	-
Total Liabilities and Fund Balances	\$ 101	\$ 853	\$ 26	\$ 43	\$ 11	\$ -	\$ 446	\$ 413	\$ 35	\$ 43

(Continued on next page)

TOWN OF EAST HARTFORD, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

In Thousands

	Special Revenue							Interfund Eliminations	Total
	Police Private Duty	Parks and Recreation	Hockanum River Linear Park	Danahy Scholarship Fund	Brewer House Trust	Education Scholarships Fund	Education Fee Based Programs		
ASSETS									
Cash and cash equivalents	\$	\$	\$	\$	\$	\$ 80	\$ 88	\$ 433	\$ 433
Investments				78				78	78
Accounts receivable, net	426							426	426
Due from other governments								834	834
Due from other funds		380			17			1,269	1,269
Other assets		50						50	50
Total Assets	\$ 426	\$ 430	\$ -	\$ 78	\$ 17	\$ 80	\$ 88	\$ 3,090	\$ 3,090
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$	\$ 31	\$	\$ 4	\$	\$	\$	\$ 390	\$ 390
Due to other funds								55	55
Deferred revenue	426	127						972	972
Total liabilities	426	158	-	4	-	-	-	1,417	1,417
Fund balances:									
Nonspendable				74	17	80		171	171
Restricted								437	437
Committed		272					88	1,065	1,065
Total fund balance	-	272	-	74	17	80	88	1,673	1,673
Total Liabilities and Fund Balances	\$ 426	\$ 430	\$ -	\$ 78	\$ 17	\$ 80	\$ 88	\$ 3,090	\$ 3,090

TOWN OF EAST HARTFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
In Thousands

	Special Revenue									
	<u>Redevelopment</u>	<u>School Cafeteria</u>	<u>WIC Fund</u>	<u>Youth Services</u>	<u>Dog Fund</u>	<u>Town Aid Road</u>	<u>Special State Grant Programs</u>	<u>Miscellaneous Projects and Programs</u>	<u>Local Capital Improvement Program</u>	<u>Health Service Grant</u>
Revenues:										
Intergovernmental	\$	\$ 3,370	\$ 761	\$ 37	\$ 18	\$ 315	\$ 1,012	\$ 14	\$ 215	\$ 17
Charges for services		1,278						650		
Investment income		9								
Miscellaneous				1			7	278		
Total revenues	<u>-</u>	<u>4,657</u>	<u>761</u>	<u>38</u>	<u>18</u>	<u>315</u>	<u>1,019</u>	<u>942</u>	<u>215</u>	<u>17</u>
Expenditures:										
General government							448	80	15	
Public safety					11		129	249		
Public works						315	8			
Parks and recreation							56	7	200	
Health and social services			761	59			378	92		17
Education		4,552								
Total expenditures	<u>-</u>	<u>4,552</u>	<u>761</u>	<u>59</u>	<u>11</u>	<u>315</u>	<u>1,019</u>	<u>428</u>	<u>215</u>	<u>17</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>105</u>	<u>-</u>	<u>(21)</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>514</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):										
Transfers in				24				15		
Transfers out					(7)		(1)	(418)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>(7)</u>	<u>-</u>	<u>(1)</u>	<u>(403)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	105	-	3	-	-	(1)	111	-	-
Fund Balance, Beginning of Year	101	477	-	19	-	-	33	294	-	-
Fund Balance, End of Year	<u>\$ 101</u>	<u>\$ 582</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 405</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on next page)

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

FOR THE YEAR ENDED JUNE 30, 2013
In Thousands

	Special Revenue									
	Police Private Duty	Parks and Recreation	Hockanum River Linear Park	Danahy Scholarship Fund	Brewer House Trust	Education Scholarships Fund	Education Fee Based Programs	Total	Interfund Eliminations	Total
Revenues:										
Intergovernmental	\$	\$	\$ 8	\$	\$	\$	\$	5,749	\$	\$ 5,749
Charges for services	482	402					85	2,915		2,915
Investment income				(4)				5		5
Miscellaneous						6		292		292
Total revenues	<u>482</u>	<u>402</u>	<u>8</u>	<u>(4)</u>	<u>-</u>	<u>6</u>	<u>85</u>	<u>8,961</u>	<u>-</u>	<u>8,961</u>
Expenditures:										
General government								543		543
Public safety	396							785		785
Public works			8					331		331
Parks and recreation		352						615		615
Health and social services								1,307		1,307
Education				4		17	86	4,659		4,659
Total expenditures	<u>396</u>	<u>352</u>	<u>8</u>	<u>4</u>	<u>-</u>	<u>17</u>	<u>86</u>	<u>8,240</u>	<u>-</u>	<u>8,240</u>
Excess (Deficiency) of Revenues over Expenditures	<u>86</u>	<u>50</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(11)</u>	<u>(1)</u>	<u>721</u>	<u>-</u>	<u>721</u>
Other Financing Sources (Uses):										
Transfers in								39		39
Transfers out	(86)							(512)		(512)
Total other financing sources (uses)	<u>(86)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(473)</u>	<u>-</u>	<u>(473)</u>
Net Change in Fund Balances	-	50	-	(8)	-	(11)	(1)	248	-	248
Fund Balance, Beginning of Year	<u>-</u>	<u>222</u>	<u>-</u>	<u>82</u>	<u>17</u>	<u>91</u>	<u>89</u>	<u>1,425</u>	<u>-</u>	<u>1,425</u>
Fund Balance, End of Year	\$ -	\$ 272	\$ -	\$ 74	\$ 17	\$ 80	\$ 88	\$ 1,673	\$ -	\$ 1,673

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost-reimbursement basis.

Health Benefits - A fund used to pay health insurance claims and to purchase administrative services and stop loss insurance for the health care plans. Both the Town and the Board of Education pay this fund for health insurance.

Workers' Compensation - Accounts for the receipt of General Fund contributions to fund Town and Board of Education incurred Workers' Compensation claims. Contribution amounts are based on projections from an actuarial valuation.

General Liability - To account for the receipt of General Fund contributions to fund general and auto liability claims.

TOWN OF EAST HARTFORD, CONNECTICUT

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

JUNE 30, 2013

In Thousands

	<u>Health Benefits</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
Assets:				
Current:				
Cash and cash equivalents	\$ 727	\$ 957	\$ 1,794	\$ 3,478
Due from other funds	2,282		46	2,328
Other assets		200	45	245
	<u>3,009</u>	<u>1,157</u>	<u>1,885</u>	<u>6,051</u>
Total assets				
	<u>3,009</u>	<u>1,157</u>	<u>1,885</u>	<u>6,051</u>
Liabilities:				
Current liabilities:				
Accounts payable	359			359
Due to other funds		1		1
Risk management claims	1,316	420	1,145	2,881
Total current liabilities	<u>1,675</u>	<u>421</u>	<u>1,145</u>	<u>3,241</u>
Noncurrent liabilities:				
Risk management claims		2,635		2,635
	<u>1,675</u>	<u>3,056</u>	<u>1,145</u>	<u>5,876</u>
Total liabilities				
	<u>1,675</u>	<u>3,056</u>	<u>1,145</u>	<u>5,876</u>
Net Position:				
Unrestricted	\$ <u>1,334</u>	\$ <u>(1,899)</u>	\$ <u>740</u>	\$ <u>175</u>

TOWN OF EAST HARTFORD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

	<u>Health Benefits</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
Operating Revenues:				
Employer contributions	\$ 17,088	\$ 1,679	\$ 2,034	\$ 20,801
Charges for goods and services	3,805			3,805
Other	492	55	27	574
Total operating revenues	<u>21,385</u>	<u>1,734</u>	<u>2,061</u>	<u>25,180</u>
Operating Expenses:				
Claims	18,643	1,851	1,900	22,394
Premiums and administrative charges	<u>2,530</u>	<u>65</u>	<u>35</u>	<u>2,630</u>
Total operating expenses	<u>21,173</u>	<u>1,916</u>	<u>1,935</u>	<u>25,024</u>
Operating Income (Loss)	212	(182)	126	156
Total Net Position, Beginning of Year	<u>1,122</u>	<u>(1,717)</u>	<u>614</u>	<u>19</u>
Total Net Position, End of Year	<u>\$ 1,334</u>	<u>\$ (1,899)</u>	<u>\$ 740</u>	<u>\$ 175</u>

TOWN OF EAST HARTFORD, CONNECTICUT

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

	<u>Health Benefits</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from employer contributions	\$ 16,184	\$ 1,674	\$ 2,738	\$ 20,596
Cash received from charges for services	4,144			4,144
Cash received from other revenues	492	54	56	602
Cash paid for claims	(18,623)	(1,436)	(1,908)	(21,967)
Cash paid to other suppliers for services	(2,382)	(66)	(35)	(2,483)
Net cash provided by (used in) operating activities	<u>(185)</u>	<u>226</u>	<u>851</u>	<u>892</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(185)	226	851	892
Cash and Cash Equivalents, Beginning of Year	<u>912</u>	<u>731</u>	<u>943</u>	<u>2,586</u>
Cash and Cash Equivalents, End of Year	<u>\$ 727</u>	<u>\$ 957</u>	<u>\$ 1,794</u>	<u>\$ 3,478</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 212	\$ (182)	\$ 126	\$ 156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in other assets		(1)	29	28
(Increase) decrease in due from other funds	(904)		704	(200)
Decrease in accounts receivable	339			339
Decrease in due to other funds		(5)		(5)
Increase (decrease) in accounts payable	148	(1)		147
Increase (decrease) in risk management claims	20	415	(8)	427
Total adjustments	<u>(397)</u>	<u>408</u>	<u>725</u>	<u>736</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (185)</u>	<u>\$ 226</u>	<u>\$ 851</u>	<u>\$ 892</u>

Fiduciary Funds

FIDUCIARY FUNDS

Agency Funds

Student Activity Fund - to account for the collection and payment of expenses for education extra-curricular activities at the high school, middle school and elementary schools.

Developers' Escrow Fund - to account for cash deposits required by various agencies.

Flexible Spending Plan - to account for the employees' tax savings plan for health and welfare costs.

TOWN OF EAST HARTFORD, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>178</u>	\$ <u>466</u>	\$ <u>460</u>	\$ <u>184</u>
Liabilities:				
Due to student groups	\$ <u>178</u>	\$ <u>466</u>	\$ <u>460</u>	\$ <u>184</u>
Developers' Escrow Fund				
Assets:				
Cash and cash equivalents	\$ <u>980</u>	\$ <u>76</u>	\$ <u>42</u>	\$ <u>1,014</u>
Liabilities:				
Due to agencies	\$ <u>980</u>	\$ <u>76</u>	\$ <u>42</u>	\$ <u>1,014</u>
Flexible Spending Plan				
Assets:				
Cash and cash equivalents	\$ <u>23</u>	\$ <u>229</u>	\$ <u>225</u>	\$ <u>27</u>
Liabilities:				
Due to agencies	\$ <u>23</u>	\$ <u>229</u>	\$ <u>225</u>	\$ <u>27</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>1,181</u>	\$ <u>771</u>	\$ <u>727</u>	\$ <u>1,225</u>
Liabilities:				
Due to student groups	\$ <u>178</u>	\$ <u>466</u>	\$ <u>460</u>	\$ <u>184</u>
Due to agencies	<u>1,003</u>	<u>305</u>	<u>267</u>	<u>1,041</u>
Total Liabilities	\$ <u>1,181</u>	\$ <u>771</u>	\$ <u>727</u>	\$ <u>1,225</u>

Supplementary Data

TOWN OF EAST HARTFORD, CONNECTICUT

CAPITAL IMPROVEMENT FUND

SCHEDULE OF PROJECT AUTHORIZATIONS AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2013

In Thousands

<u>Project Description</u>	<u>Amended Budget</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Available Budget</u>
2012 Authorization:					
Road reconstruction	\$ 10,000	\$	\$	\$	\$ 10,000
East Hartford Middle School WW	5,700				5,700
Total	<u>15,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,700</u>
2010 Authorization:					
Road Reconstruction	<u>10,000</u>	<u>2,656</u>	<u>5,977</u>	<u>1,771</u>	<u>2,252</u>
2008 Authorization:					
Road Reconstruction	10,000	1,670	9,961	39	-
School Improvements	2,735	6	2,531	167	37
Library Improvements	2,100	306	340	447	1,313
Total	<u>14,835</u>	<u>1,982</u>	<u>12,832</u>	<u>653</u>	<u>1,350</u>
2007 Authorization:					
Levees	20,716	1,418	13,429	4,032	3,255
Capital Improvement Program	284		168		116
Total	<u>21,000</u>	<u>1,418</u>	<u>13,597</u>	<u>4,032</u>	<u>3,371</u>
2006 Authorization:					
Fire Station/Maintenance Facility	6,485	124	6,488		(3)
Town Hall Renovation	559		559		-
Road Reconstruction	10,540	114	9,953		587
Total	<u>17,584</u>	<u>238</u>	<u>17,000</u>	<u>-</u>	<u>584</u>
Main and School Street Project	<u>2,260</u>	<u>149</u>	<u>1,788</u>	<u>-</u>	<u>472</u>
Town - Capital and Nonrecurring:					
Library Expansion	<u>53</u>			<u>-</u>	<u>53</u>
BOE - Capital and Nonrecurring:					
Barnes School	500	447	447		53
MUNIS Financial Software	250	134	134	116	-
Total	<u>750</u>	<u>581</u>	<u>581</u>	<u>116</u>	<u>53</u>
Capital Leases:					
Energy Performance Lease 2010	7,400	160	7,328		72
Town-Wide Area Network	250	15	250		-
Town Leases 2011-2012	563	22	558	3	2
Add'l Town Leases 2011-2012A	785		168	572	45
Add'l Town Leases 2011-2012B	110		107		3
Town Leases 2012-2013A	648	646	648		-
Town Leases 2012-2013B	325	289	289		36
Town Leases 2013-2014	819	75	75		744
Total	<u>10,900</u>	<u>1,207</u>	<u>9,423</u>	<u>575</u>	<u>902</u>
Total	<u>\$ 93,082</u>	<u>\$ 8,231</u>	<u>\$ 61,198</u>	<u>\$ 7,147</u>	<u>\$ 24,737</u>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF EAST HARTFORD, CONNECTICUT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

In Thousands

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 115,911	\$ 112,960	\$ 118,754	\$ 116,335	\$ 115,698	\$ 130,943	\$ 134,170	\$ 131,885	\$ 132,493	\$ 124,195
Restricted	171	190	191	196	194	227	239	189	615	562
Unrestricted	(30,577)	(20,864)	(21,534)	(13,234)	(4,360)	(7,683)	(1,254)	(3,612)	711	1,882
Total Governmental Activities Net Position	<u>\$ 85,505</u>	<u>\$ 92,286</u>	<u>\$ 97,411</u>	<u>\$ 103,297</u>	<u>\$ 111,532</u>	<u>\$ 123,487</u>	<u>\$ 133,155</u>	<u>\$ 128,462</u>	<u>\$ 133,819</u>	<u>\$ 126,639</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TOWN OF EAST HARTFORD, CONNECTICUT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

In Thousands

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental activities:										
General government	\$ 38,508	\$ 34,681	\$ 31,495	\$ 31,334	\$ 33,606	\$ 30,124	\$ 25,995	\$ 24,252	\$ 21,744	\$ 18,981
Public safety	27,903	29,661	27,576	25,749	25,809	26,300	25,293	24,627	23,302	22,376
Inspections and permits	656	639	645	682	849	669	659	678	658	627
Public works	16,112	13,219	20,549	16,204	17,712	16,344	12,374	11,091	11,663	10,291
Parks and recreation	3,332	3,165	3,666	3,308	3,641	4,032	3,950	3,807	3,739	3,421
Health and social services	3,255	3,063	3,336	3,306	3,086	3,437	3,167	3,054	2,855	2,035
Education	126,568	124,623	124,447	115,034	118,104	134,084	101,084	97,299	93,454	87,662
Interest on long-term debt	1,941	1,519	1,640	1,208	2,020	1,689	1,897	2,067	1,917	2,072
Total governmental activities expenses	<u>218,275</u>	<u>210,570</u>	<u>213,354</u>	<u>196,825</u>	<u>204,827</u>	<u>216,679</u>	<u>174,419</u>	<u>166,875</u>	<u>159,332</u>	<u>147,465</u>
Program Revenues:										
Governmental activities:										
Charges for services										
General government	886	938	849	1,069	1,158	1,669	1,775	1,771	1,573	1,473
Public safety	1,570	1,554	2,294	1,365	674	1,656	1,258	1,219	919	837
Inspections and permits	616	1,966	484	481	458	1,370	1,069	638	404	383
Education	7,784	7,869	6,640	5,727	5,062	4,174	3,416	3,305	2,893	3,055
Other	936	909	930	1,029	997	1,106	1,286	1,204	1,215	1,259
Operating grants and contributions	76,654	76,757	77,598	72,772	71,002	90,525	60,149	59,601	53,269	50,580
Capital grants and contributions	200	276	6,536	1,751	3,736	644	1,330	1,290	5,769	2,672
Total governmental activities program revenues	<u>88,646</u>	<u>90,269</u>	<u>95,331</u>	<u>84,194</u>	<u>83,087</u>	<u>101,144</u>	<u>70,283</u>	<u>69,028</u>	<u>66,042</u>	<u>60,259</u>
Net (Expense) Revenue:										
Governmental activities	<u>(129,629)</u>	<u>(120,301)</u>	<u>(118,023)</u>	<u>(112,631)</u>	<u>(121,740)</u>	<u>(115,535)</u>	<u>(104,136)</u>	<u>(97,847)</u>	<u>(93,290)</u>	<u>(87,206)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes	116,396	107,062	104,956	98,212	100,021	98,825	103,425	97,497	96,568	92,160
Grants and contributions not restricted to specific programs	5,667	6,349	5,418	5,728	5,846	7,085	6,405	5,617	4,870	3,922
Unrestricted investment earnings	40	67	42	79	561	1,443	1,981	1,548	623	409
Other general revenues	745	1,698	1,721	377	2,125	1,405	329	136	315	377
Special items						(2,891)	(3,311)	(12,308)	(1,906)	
Total governmental activities	<u>122,848</u>	<u>115,176</u>	<u>112,137</u>	<u>104,396</u>	<u>108,553</u>	<u>105,867</u>	<u>108,829</u>	<u>92,490</u>	<u>100,470</u>	<u>96,868</u>
Changes in Net Position:										
Governmental activities	<u>\$ (6,781)</u>	<u>\$ (5,125)</u>	<u>\$ (5,886)</u>	<u>\$ (8,235)</u>	<u>\$ (13,187)</u>	<u>\$ (9,668)</u>	<u>\$ 4,693</u>	<u>\$ (5,357)</u>	<u>\$ 7,180</u>	<u>\$ 9,662</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TABLE 3

TOWN OF EAST HARTFORD, CONNECTICUT

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

In Thousands

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Reserved	\$	\$	\$	\$ 906	\$ 943	\$ 867	\$ 968	\$ 344	\$ 353	\$ 734
Unreserved				12,038	12,699	14,342	14,817	11,428	11,006	9,065
Nonspendable										
Restricted										
Committed										
Assigned	1,338	1,257	668							
Unassigned	13,288	13,954	12,850							
Total General Fund	\$ <u>14,626</u>	\$ <u>15,211</u>	\$ <u>13,518</u>	\$ <u>12,944</u>	\$ <u>13,642</u>	\$ <u>15,209</u>	\$ <u>15,785</u>	\$ <u>11,772</u>	\$ <u>11,359</u>	\$ <u>9,799</u>
All Other Governmental Funds:										
Reserved	\$	\$	\$	\$ 11,335	\$ 6,329	\$ 8,090	\$ 4,334	\$ 5,576	\$ 9,847	\$ 10,805
Unreserved, reported in:										
Special revenue funds				1,149	1,187	441	(127)	(402)	41	638
Capital projects funds				209	(3,994)	4,153	(2,974)	(639)	(11,717)	(4,309)
Nonspendable	171	190	192							
Restricted	613	1,239	1,678							
Committed	8,212	5,166	5,947							
Assigned										
Unassigned	(7,791)	(1,535)	(7,867)							
Total All Other Governmental Funds	\$ <u>1,205</u>	\$ <u>5,060</u>	\$ <u>(50)</u>	\$ <u>12,693</u>	\$ <u>3,522</u>	\$ <u>12,684</u>	\$ <u>1,233</u>	\$ <u>4,535</u>	\$ <u>(1,829)</u>	\$ <u>7,134</u>

Notes:

(1) Schedule prepared on the modified accrual basis of accounting.

TOWN OF EAST HARTFORD, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
In Thousands

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
General property taxes	\$ 115,890	\$ 107,495	\$ 103,943	\$ 98,458	\$ 100,745	\$ 97,595	\$ 103,853	\$ 97,463	\$ 97,930	\$ 91,686
Licenses and permits	782	2,132	648	652	616	1,584	1,233	1,232	957	955
Intergovernmental revenues	81,970	82,919	89,271	80,178	80,566	97,469	66,994	65,729	63,378	58,498
Charges for services	10,564	10,839	10,060	8,661	8,327	8,118	7,291	6,753	5,884	5,852
Investment income	37	66	31	63	415	859	1,185	911	363	309
Other	1,490	2,400	2,135	777	1,590	2,651	1,545	1,993	1,276	1,351
Total revenues	<u>210,733</u>	<u>205,851</u>	<u>206,088</u>	<u>188,789</u>	<u>192,259</u>	<u>208,276</u>	<u>182,101</u>	<u>174,081</u>	<u>169,788</u>	<u>158,651</u>
Expenditures:										
Current:										
General government	35,450	31,988	28,606	27,582	27,488	24,524	26,425	25,479	23,739	21,165
Public safety	26,849	26,491	26,655	25,199	24,916	25,274	23,927	23,322	22,086	22,011
Inspections and permits	656	639	645	682	849	744	672	678	658	627
Public works	8,877	8,548	9,338	9,151	10,422	9,540	9,150	8,568	8,646	7,972
Parks and recreation	3,135	3,071	3,627	3,549	3,551	3,611	3,723	3,654	3,932	3,310
Health and social services	3,186	2,985	2,900	2,680	2,707	3,030	3,525	4,178	3,377	2,484
Education	120,645	118,527	115,802	109,723	110,383	130,864	99,925	97,403	92,182	86,780
Capital outlay	8,231	8,916	23,668	8,391	14,603	11,206	6,546	12,132	15,311	17,883
Debt service:										
Principal	8,626	8,005	7,409	6,235	7,807	7,032	7,104	7,077	6,476	6,157
Interest	1,536	1,753	1,753	3,304	1,970	1,751	1,971	1,932	1,973	2,159
Total expenditures	<u>217,191</u>	<u>210,923</u>	<u>220,403</u>	<u>196,496</u>	<u>204,696</u>	<u>217,576</u>	<u>182,968</u>	<u>184,423</u>	<u>178,380</u>	<u>170,548</u>
Excess of Revenues Under Expenditures	<u>(6,458)</u>	<u>(5,072)</u>	<u>(14,315)</u>	<u>(7,707)</u>	<u>(12,437)</u>	<u>(9,300)</u>	<u>(867)</u>	<u>(10,342)</u>	<u>(8,592)</u>	<u>(11,897)</u>
Other Financing Sources (Uses):										
Multi-year lease purchase agreements	1,900	813	2,146	7,400	1,861	6,175	1,578	1,759	1,189	1,919
Bonds issued		16,280		8,675		14,000		15,360		
Refunding bonds	12,230			8,370						
Premium on refunding bonds	1,076	193		457						
Payment to refunding bond escrow agent	(13,188)	(5,411)		(8,701)						
Transfers in	2,347	1,303	644	416	836	2,889	463	2,939	1,195	367
Transfers out	(2,347)	(1,303)	(644)	(436)	(962)	(2,889)	(463)	(2,939)	(1,195)	(367)
Total other financing sources	<u>2,018</u>	<u>11,875</u>	<u>2,146</u>	<u>16,181</u>	<u>1,735</u>	<u>20,175</u>	<u>1,578</u>	<u>17,119</u>	<u>1,189</u>	<u>1,919</u>
Net Change in Fund Balances	<u>\$ (4,440)</u>	<u>\$ 6,803</u>	<u>\$ (12,169)</u>	<u>\$ 8,474</u>	<u>\$ (10,702)</u>	<u>\$ 10,875</u>	<u>\$ 711</u>	<u>\$ 6,777</u>	<u>\$ (7,403)</u>	<u>\$ (9,978)</u>
Debt Service as a % of Noncapital Expenditures	<u>4.77%</u>	<u>4.74%</u>	<u>4.44%</u>	<u>4.98%</u>	<u>5.07%</u>	<u>4.18%</u>	<u>5.05%</u>	<u>5.00%</u>	<u>5.14%</u>	<u>5.40%</u>

Notes:

(1) Schedule prepared on the modified accrual basis of accounting.

TOWN OF EAST HARTFORD, CONNECTICUT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
In Thousands

Fiscal Year	Grand List Year	Real Property		Vacant Land	Motor Vehicles	Personal Property	Gross Taxable Assessed Value	Less Tax Exempt Property	Net Taxable Assessed Value	Basic Rate	General Obligation Debt Service Rate	Total Direct Tax Rate (in mills)	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
		Residential	Industrial and Commercial											
2013	2011	\$ 1,464,763	\$ 747,531	\$ 25,689	\$ 269,822	\$ 411,994	\$ 2,919,799	\$ 224,557	\$ 2,695,242	40.73	2.06	42.79	\$ 3,850,346	70.00%
2012	2010	1,877,590	764,534	25,836	248,757	433,077	3,349,794	254,495	3,095,299	31.81	2.61	34.42	4,421,856	70.00%
2011	2009	1,873,732	764,118	25,992	242,084	418,351	3,324,277	234,160	3,090,117	31.19	2.63	33.82	4,414,453	70.00%
2010	2008	1,868,224	769,427	27,637	242,895	407,506	3,315,689	212,152	3,103,537	28.90	2.77	31.67	4,433,624	70.00%
2009	2007	1,862,039	777,269	27,266	252,061	425,747	3,344,382	171,889	3,172,493	29.13	2.54	31.67	4,532,133	70.00%
2008	2006	1,850,994	732,787	28,122	246,634	438,624	3,297,161	572,574 (2)	2,724,587	33.38	2.74	36.12	3,892,267	70.00%
2007	2005	1,113,874	593,264	21,123	244,135	482,386	2,454,782	119,327	2,335,455	40.26	3.36	43.62	3,336,364	70.00%
2006	2004	1,110,108	591,911	19,834	232,206	493,232	2,447,291	113,364	2,333,927	38.06	3.28	41.34	3,334,181	70.00%
2005	2003	1,107,064	587,938	19,513	214,968	519,667	2,449,150	96,384	2,352,766	37.17	3.16	40.33	3,361,094	70.00%
2004	2002	1,385,328	313,383	20,993	231,431	499,168	2,450,303	101,146	2,349,157	35.47	3.13	38.60	3,355,939	70.00%

Source: Town of East Hartford, Office of Tax Assessor

Notes:

- (1) 2006 and 2011 real property grand lists are adjusted to reflect statutory revaluation.
- (2) 2006 exemptions include \$444,945 for revaluation phase-in.
- (3) The Town assesses property at 70% of actual value for all types of real and personal property.

TABLE 6

TOWN OF EAST HARTFORD, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

In Thousands

Taxpayer	Nature of Business	October 1, 2011			October 1, 2002		
		Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
United Technologies Corp.	Manufacturing	\$ 319,083	1	11.84%	\$ 431,253	1	18.36%
Freemont Riverview LLC	Offices	26,983	2	1.00%	15,387	6	0.66%
Cabela's Inc.	Retail	26,054	3	0.97%			
Connecticut Light and Power	Utility	25,549	4	0.95%			
Ansonia Acquisitions	Apartment Buildings	22,873	5	0.85%	13,921	9	0.59%
Connecticut Natural Gas	Utility	22,693	6	0.84%	14,745	8	0.63%
Coca Cola Bottling Co.	Beverage Mfg/Dist.	20,063	7	0.74%	30,203	2	1.29%
Computer Sciences	Leasing	16,072	8	0.60%	23,101	4	0.98%
Merchant 99 111 Founder LLC	Offices	14,541	9	0.54%	23,642	3	1.01%
Bank of America	Offices	13,489	10	0.50%			
Freemont Prestige Park LLC	Industrial & Comm. R.E.				14,921	7	0.64%
Founders 14 LLC	Commercial R.E.				19,338	5	0.82%
Riverside Health Care	Health Care				11,509	10	0.49%
Total		\$ 507,400		18.83%	\$ 598,020		25.46%

Source: Town of East Hartford, Office of Tax Assessor

TABLE 7

TOWN OF EAST HARTFORD, CONNECTICUT

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
In Thousands

Fiscal Year Ended June 30,	Grand List Year	Net Taxable Assessed Value	Tax Rate in Mills	Original Tax Levy	Adjusted Tax Levy	Collected Within the Fiscal Year of Levy		Collections In Subsequent Years	Total Collections To Date	
						Amount	Percent of Levy		Amount	Percentage of Levy
2013	2011	\$ 2,695,243	42.79	\$ 115,680	\$ 115,155	\$ 111,797	96.64%	\$	\$ 111,797	97.08%
2012	2010	3,095,299	34.42	106,409	106,016	103,104	96.89%	1,787	104,891	98.94%
2011	2009	3,090,117	33.82	104,383	104,001	101,051	96.81%	1,793	102,844	98.89%
2010	2008	3,103,537	31.67	98,018	97,618	95,398	97.33%	1,241	96,639	99.00%
2009	2007	3,172,493	31.67	100,533	99,128	96,764	96.25%	1,633	98,397	99.26%
2008	2006	2,724,587	36.12	98,717	98,607	94,616	95.85%	1,786	96,402	97.76%
2007	2005	2,335,455	43.62	102,476	102,212	99,595	97.19%	2,031	101,626	99.43%
2006	2004	2,333,927	41.34	97,083	96,525	94,413	97.25%	1,628	96,041	99.50%
2005	2003	2,352,766	40.33	95,289	95,002	92,862	97.45%	2,140	95,002	100.00%
2004	2002	2,349,157	38.60	90,737	89,750	87,517	96.45%	2,233	89,750	100.00%

Source: Tax Collector's Report; Comprehensive Annual Financial Report

TABLE 8

TOWN OF EAST HARTFORD, CONNECTICUT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
In Thousands

Governmental Activities												
Fiscal Year	General Obligation Bonds					Capital Leases	Total Primary Government	Total Primary Government Debt Per Capita	Ratio of Primary Government Debt to Personal Income	Ratio of Net Bonded Debt to Estimated Actual Assessed Value	Ratio of Net Bonded Debt Per Capita	
	General Purpose	Schools	Urban Renewal	Less: School Building Grants (2)	Total Net Bonded Debt							
2013	\$ 37,938	\$ 1,052	\$		\$ 38,990	\$ 14,505	\$ 53,495	\$ 1,044	4.20%	1.01%	\$ 761	
2012	43,939	1,852	74		45,865	14,503	60,368	1,170	4.61%	1.04%	889	
2011	38,462	2,615	148		41,225	15,306	56,531	1,103	5.07%	0.93%	804	
2010	43,765	3,430	205		47,400	14,545	61,945	1,270	5.84%	1.07%	972	
2009	40,185	3,614	1,351		45,150	9,070	54,220	1,084	4.98%	1.00%	903	
2008	44,820	4,820	1,530	23	51,147	8,996	60,143	1,203	5.53%	1.31%	1,023	
2007	34,752	5,627	2,621	46	42,954	4,023	46,977	948	4.35%	1.29%	866	
2006	38,437	6,748	3,710	69	48,826	3,654	52,480	1,052	4.83%	1.46%	978	
2005	26,586	7,979	4,790	405	38,950	3,152	42,102	846	3.89%	1.16%	783	
2004	29,309	9,656	5,885	741	44,109	2,944	47,053	942	4.33%	1.31%	883	

Notes:

(1) Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(2) School building grants applicable to outstanding bond issues.

TOWN OF EAST HARTFORD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2013

In Thousands

Total tax collections, including interest and lien fees for the year ended June 30, 2013	\$ 115,859
Reimbursement for revenue loss on:	
Tax relief for elderly - freeze	<u>2</u>
Total	<u>\$ 115,861</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 260,687	\$	\$	\$	\$
4-1/2 times base		521,375			
3-3/4 times base			434,479		
3-1/4 times base				376,548	
3 times base					347,583
	<u>260,687</u>	<u>521,375</u>	<u>434,479</u>	<u>376,548</u>	<u>347,583</u>
Total debt limitation	<u>260,687</u>	<u>521,375</u>	<u>434,479</u>	<u>376,548</u>	<u>347,583</u>
Indebtedness:					
Bonds payable	37,938	1,052			
Bonds authorized and unissued	26,940	6,682			
Overlapping debt			63,675		
	<u>64,878</u>	<u>7,734</u>	<u>63,675</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>64,878</u>	<u>7,734</u>	<u>63,675</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 195,809</u>	<u>\$ 513,641</u>	<u>\$ 370,804</u>	<u>\$ 376,548</u>	<u>\$ 347,583</u>

Notes:

- (1) In no event shall total debt exceed seven times annual receipts from taxation \$811,027.
- (2) Bonds authorized-unissued represents bond authorizations for projects which have bond anticipation notes outstanding or for which bonds have been authorized and partially issued.

TOWN OF EAST HARTFORD, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS
In Thousands

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limitation	\$ 811,027	\$ 747,572	\$ 727,692	\$ 691,145	\$ 702,534	\$ 685,587	\$ 724,570	\$ 682,108	\$ 685,223	\$ 642,341
Total net debt applicable to limit	<u>136,287</u>	<u>112,066</u>	<u>99,841</u>	<u>87,791</u>	<u>89,575</u>	<u>68,996</u>	<u>54,306</u>	<u>61,175</u>	<u>58,976</u>	<u>55,998</u>
Legal Debt Margin	<u>\$ 674,740</u>	<u>\$ 635,506</u>	<u>\$ 627,851</u>	<u>\$ 603,354</u>	<u>\$ 612,959</u>	<u>\$ 616,591</u>	<u>\$ 670,264</u>	<u>\$ 620,933</u>	<u>\$ 626,247</u>	<u>\$ 586,343</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>16.80%</u>	<u>14.99%</u>	<u>13.72%</u>	<u>12.70%</u>	<u>12.75%</u>	<u>10.06%</u>	<u>7.49%</u>	<u>8.97%</u>	<u>8.61%</u>	<u>8.72%</u>

Source: Comprehensive Annual Financial Report - Schedule of Debt Limitation

Note:

(1) See Table 9 for calculation of current year debt limitation

TABLE 11

TOWN OF EAST HARTFORD, CONNECTICUT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

LAST TEN FISCAL YEARS

In Thousands

	<u>Fiscal Year</u>	<u>MDC Overlapping Debt</u>	<u>Percentage Applicable to East Hartford</u>		<u>Town Share of Debt</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Urban Renewal</u>	<u>Total Direct and Overlapping Debt</u>
77	2013	\$ 559,041	11.39 %	\$	63,675	\$ 37,938	\$ 1,052	\$	102,665
	2012	419,411	11.51		48,274	43,939	1,852	74	94,139
	2011	33,288	11.65		3,878	38,462	2,615	148	45,103
	2010	206,461	12.13		25,044	43,765	3,430	205	72,444
	2009	134,807	12.53		16,891	40,185	3,614	1,351	62,041
	2008	107,074	13.10		14,027	44,820	4,820	1,530	65,197
	2007	75,185	13.34		10,030	34,752	6,903	2,621	54,306
	2006	82,247	13.58		11,169	38,437	6,748	3,710	60,064
	2005	89,552	13.42		12,018	26,586	7,979	4,790	51,373
	2004	88,059	13.42		11,818	29,309	9,656	5,885	56,668

Note: MDC overlapping debt is calculated by the Metropolitan District Commission based on the percentage of taxes owed by East Hartford.

TOWN OF EAST HARTFORD, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Calendar Year	Population (1)	School Enrollment (1)	Employed (2)	Medium Family Income (1)	Personal Income (in thousands)	Per Capita Income (1)	Percentage Unemployed (2)			
							Town of East Hartford	Hartford Labor Market	State of Connecticut	United States
2013	51,252	7,209	23,880	\$ 51,284	\$ 1,274,801	\$ 24,799	10.6%	8.7%	8.4%	7.3%
2012	51,594	7,918	24,042	49,772	1,309,817	25,387	10.5%	8.2%	8.9%	7.8%
2011	51,252	7,423	26,037	50,540	1,115,397	21,763	11.5%	9.1%	9.0%	9.6%
2010	48,766	7,916	26,482	51,270	1,061,294	21,763	12.5%	9.4%	9.3%	9.5%
2009	50,010	7,258	23,391	49,754	1,088,368	21,763	10.4%	7.9%	7.9%	9.1%
2008	50,010	7,752	24,171	49,754	1,088,368	21,763	7.2%	5.7%	5.4%	5.5%
2007	49,575	7,918	24,363	50,540	1,078,901	21,763	5.8%	4.4%	4.3%	4.5%
2006	49,902	8,391	N/A	50,540	1,086,017	21,763	6.5%	4.6%	4.5%	4.4%
2005	49,758	8,397	N/A	50,540	1,082,883	21,763	6.7%	5.3%	5.1%	5.1%
2004	49,959	8,052	N/A	50,540	1,087,258	21,763	6.4%	5.1%	4.7%	5.5%

Sources:

(1) Connecticut Economic Resource Center

(2) State of Connecticut, Department of Labor

N/A - Not available

TABLE 13

TOWN OF EAST HARTFORD, CONNECTICUT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Nature of Business	2013			2004		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Pratt and Whitney Aircraft	Engine Manufacturer	9,000	1	33.35%	8,500	1	30.77%
Town of East Hartford	Municipality	1,698	2	7.50%	1,704	2	6.54%
Goodwin College	Educational Institution	720	3	2.11%			0.00%
Coca Cola Bottling Company	Beverage Mfg. and Dist.	600	4	2.39%	550	3	0.57%
Bank of America (formerly Fleet)	Banking Headquarters	550	5	2.41%			2.70%
United Technologies Research	Research Laboratory	515	6	2.09%	480	4	3.42%
Riverside Health Center	Medical Care and Rehabilitation	438	7	1.96%	450	5	1.82%
CT Dept. of Info. Technology	State of Connecticut	397	8	1.74%	266	7	0.00%
67 Cabela's Outdoor Store	Outdoor Supplies	326	9	1.31%			0.00%
CSC Financial	Software Services	297	10	1.30%	250	8	1.71%
Connecticut Natural Gas	Energy Utility	263	11	1.18%	300	6	0.00%
BKM Total Office	Office Furniture Retailer	175	12	0.98%	120	11	0.00%
CT Judicial Dept.	State of Connecticut	130	13	0.63%			0.00%
United Steel	Manufacturing	127	15	0.56%			0.00%
Cellu-Tissue	Paper Manufacturing	98	15	0.43%			0.60%
Oakleaf Waste Management	Waste Management	-		0.00%	226	10	1.41%
Addressing Services Inc.	Direct Mail Processor	-		0.00%	245	9	0.19%
Total		15,334		59.94%	13,091		49.73%

Source: Town of East Hartford, Development Department

TOWN OF EAST HARTFORD, CONNECTICUT

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government (1):										
Administration	43	49	50	41	42	54	54	58	52	51
Police	169	169	163	179	185	170	173	173	171	170
Public Works	70	69	69	70	73	72	68	68	72	72
Inspections and Permits	11	11	11	11	13	12	13	13	12	12
Civil Preparedness	1	1	1	1	1	1	1	1	1	1
Fire	133	132	131	132	133	130	132	133	130	131
Library	14	14	14	14	15	14	14	14	14	14
Parks and Recreation	25	24	24	25	25	25	27	27	27	27
Youth Services	5	5	5	5	5	5	4	4	4	4
Health and Social Services	13	13	13	13	15	18	17	17	16	16
Total General Government	484	487	481	491	507	501	503	508	499	498
Board of Education (2):										
Administration and Principals	46	45	41	46	41	49	43	43	36	36
Teachers	633	613	637	636	657	613	641	632	612	612
Other	535	508	516	562	499	515	538	543	554	554
Total Board of Education	1,214	1,166	1,194	1,244	1,197	1,177	1,222	1,218	1,202	1,202
Total	1,698	1,653	1,675	1,735	1,704	1,678	1,725	1,726	1,701	1,700

Sources:

- (1) Town of East Hartford, Finance Department
- (2) East Hartford Board of Education

TABLE 15

TOWN OF EAST HARTFORD, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government (1):										
Building permits issued	2,561	2,827	2,544	947	2,795	2,518	2,659	2,695	2,303	2,477
Police (2):										
Physical arrests	2,485	2,185	2,329	2,884	2,451	2,572	2,132	2,058	2,558	2,613
Parking violations	1,921	1,183	1,619	1,373	1,899	1,781	1,622	3,039	3,825	4,344
Traffic violations	8,155	6,477	6,362	3,581	1,751	2,065	1,653	1,402	3,277	4,167
Fire (3):										
Emergency responses	10,164	10,083	9,781	9,274	9,321	9,504	9,269	9,487	8,956	8,461
Fires extinguished	151	185	193	118	131	160	238	289	249	214
Inspections	1,542	1,520	1,680	1,949	1,513	1,114	1,229	806	900	376
Refuse collection (1):										
Municipal Solid Waste collected (tons)	14,750	14,775	14,287	16,129	16,326	16,982	17,351	18,056	17,958	18,050
Parks and recreation (4):										
Community center admissions	35,000	36,500	46,361	36,817	27,322	26,368	25,602	25,186	22,492	20,679
Library (5):										
Volumes in collection	198,957	233,761	212,211	225,780	214,639	203,575	196,138	192,049	189,645	198,624
Total volumes borrowed	133,522	152,876	153,424	239,669	142,709	141,942	141,170	152,581	161,404	177,301

Sources:

- (1) Town of East Hartford, Public Works Department
- (2) Town of East Hartford, Police Department
- (3) Town of East Hartford, Fire Department
- (4) Town of East Hartford, Parks Department
- (5) Town of East Hartford, Library Department

N/A: Information is not available.

TABLE 16

TOWN OF EAST HARTFORD, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FISCAL YEAR									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government (1):										
Town buildings	52	52	52	52	54	53	53	53	53	53
Public safety:										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire (2):										
Firefighting/rescue vehicles	16	17	17	17	17	14	14	15	15	14
Other vehicles	14	16	16	18	18	18	17	16	16	15
Fire stations	5	5	5	5	5	5	5	5	5	5
Parks and recreation (3):										
Parks	17	17	17	17	17	16	16	16	16	15
Recreation fields and courts:										
Number of basketball courts	19	19	19	19	19	19	19	13	13	13
Number of football fields	2	2	2	2	2	2	2	2	2	2
Number of multi-use fields	4	4	4	4	4	4	4	4	4	4
Number of playgrounds	15	15	15	15	15	15	15	11	11	11
Number of soccer fields	9	9	9	9	9	9	6	6	6	6
Number of softball fields	7	7	7	7	7	7	6	2	2	4
Number of tennis courts	6	6	6	6	6	6	6	6	6	6
Mowers	10	10	10	10	10	10	8	7	7	7
Other vehicles	22	22	22	22	22	22	20	22	23	24
Education (4):										
School buildings	16	16	16	17	17	17	17	17	17	17
Administrative buildings	2	2	2	2	2	2	2	2	2	2

Sources:

- (1) Town of East Hartford, Public Works Department
- (2) Town of East Hartford, Fire Department
- (3) Town of East Hartford, Park Department
- (4) East Hartford Board of Education