

East Hartford Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

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, 2017

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

**TOWN OF EAST HARTFORD, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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JUNE 30, 2017**

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Introductory Section

PRINCIPAL OFFICIALS

MAYOR

Marcia A. Leclerc

TREASURER

Donald M. Currey

TOWN COUNCIL

Richard F. Kehoe, Chairman
William P. Horan, Jr., Vice Chairman
Linda A. Russo, Majority Leader
Esther Clarke, Minority Leader
Ram Aberasturia
Joseph R. Carlson
Pat Harmon
Michael Kurker
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
Mayor's Administrative Aide

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

James Cordier
Sarah Morgan
Santiago Malave
Greg Grew
Theodore Fravel
Timothy Bockus
Cephus Nolen, Jr.
John Oates
Scott Sansom
Jessica Carrero

BOARD OF EDUCATION

Bryan R. Hall, Chairman
Harry Amadasun, Jr.
Shelby Brown
Tyron V. Harris
Marilyn S. Pet
Dorese Roberts
Tom Rup
Valerie Scheer
Stephanie K. Watkins

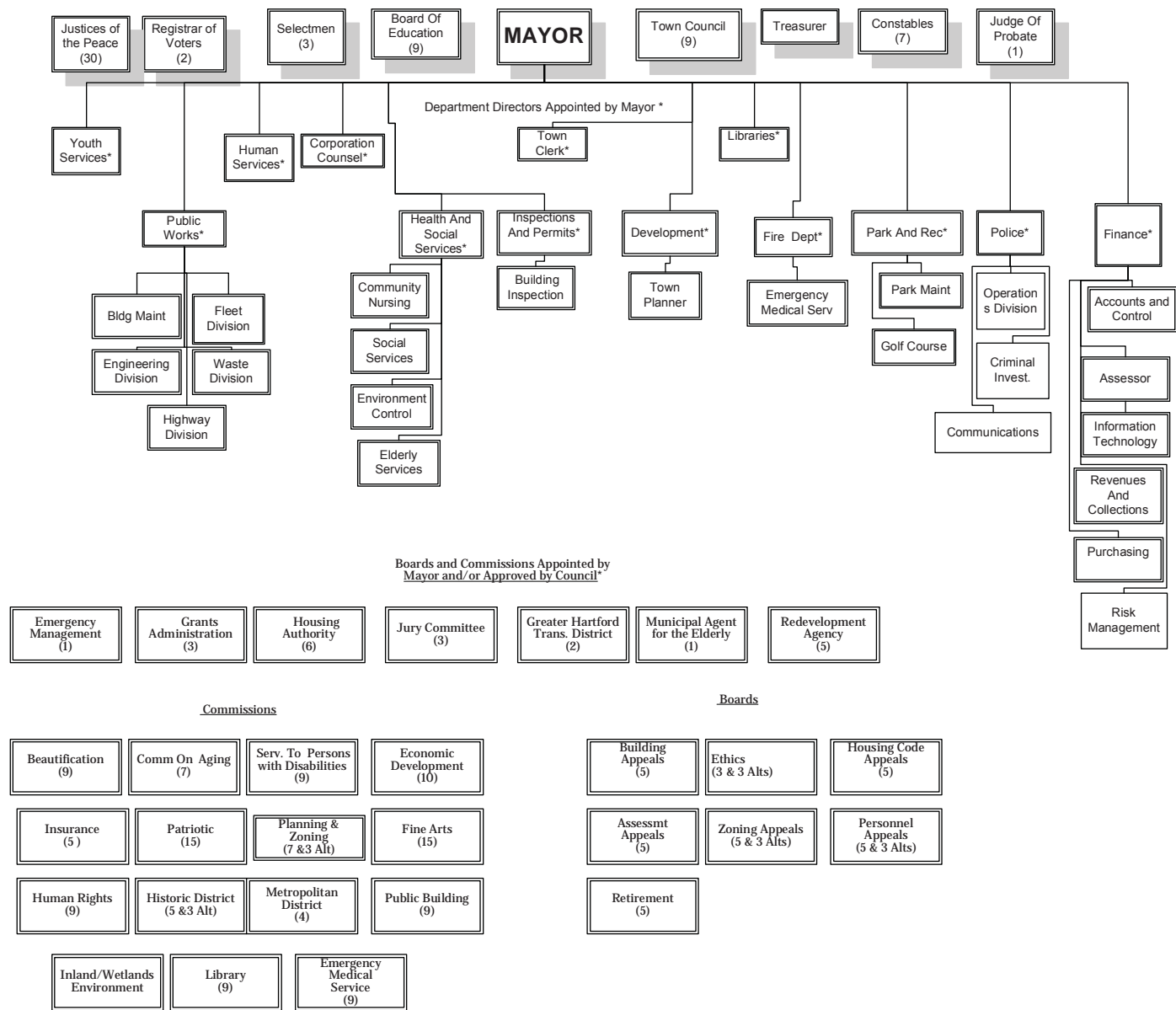
Superintendent of Schools
Assistant Superintendent, Secondary
Assistant Superintendent, Elementary
Director of Business Services
Director of Human Resources
Director of Pupil Personnel
Director of Facilities

Nathan D. Quesnal
Anne Marie Mancini
Cynthia Ritchie
Paul F. Mainuli
Christopher T. Wethje
Sharon A. Bremner, Ed.D.
Benjamin Whittaker

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 7, 2017

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, 2017. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*. 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 1,800 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 7,500 people in East Hartford. As part of a \$400M economic development incentive package awarded by the State of Connecticut to Pratt and Whitney and subsidiaries, a new headquarters and Engineering Building is currently under construction on Rentschler Field recommitting Pratt and Whitney to East Hartford for a least another 15 years.

Goodwin College continues to enjoy an expanded footprint along the banks of the Connecticut River including: its main campus located at 211 Riverside Drive, the Connecticut River Academy for Advanced Design and Technology, the Advanced Manufacturing Training Center, the Early Childhood Magnet School, 403 Main Street, and Goodwin College/King Court Housing.

Rentschler Field, a former airfield servicing Pratt & Whitney Aircraft has been rededicated as a mixed-used development. Rentschler Field contains 920 acres. United Technologies Corporation, the owner of Rentschler Field, has selected a developer who has planned a \$2 billion development which includes research, office, retail, residential and recreational facilities. With respect to the retail component, \$12 million of State of Connecticut infrastructure funding coupled with \$13.4 million of local tax abatement is in place with Horizon Group Properties for the development of a \$110 million outlet mall. Construction on the project started in October of 2017 with a grand opening slated for April of 2019.

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 just over \$18 million in its General Fund. As a percentage of the current adopted budget, East Hartford maintains just over 10% in reserve.

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.

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-five (36) fiscal years ended June 30, 1980-2016.

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 Trzetzziak, 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 the first name "Michael" and last name "Walsh" being the most prominent parts.

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, 2016

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, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2017 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.

Changes in Accounting Principle

As discussed in Note 13 to the financial statements, during the fiscal year ended June 30, 2017, the Town adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 63 through 66 and the pension and OPEB schedules on pages 67 through 73 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Town of East Hartford, Connecticut, as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 14, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 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 solely 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 the effectiveness of the Town of East Hartford, Connecticut's 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 7, 2017

**TOWN OF EAST HARTFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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 \$24.0 million, or 24.4%.
- During the year, the Town had expenses of \$286.6 million, which were \$24.0 million more than the \$262.6 million generated in taxes, grants and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$286.6 million.
- The General Fund reported a total fund balance as of June 30, 2017 of \$20.8 million. The General Fund unassigned component of fund balance was \$16.6 million.
- Actual revenues were \$183.9 million compared to the final budget of \$181.8 million, resulting in higher revenues of \$2.1 million.
- Actual expenditures were \$179.9 million compared to the final budget of \$181.8 million, resulting in lower expenditures of \$1.9 million.

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 \$(98.2) million to \$(122.3) 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 | |
|---|------------------------------------|--------------------|
| | 2017 | 2016 |
| Current and other assets | \$ 64,338 | \$ 57,036 |
| Capital assets, net of accumulated depreciation | 158,685 | 160,964 |
| Total assets | <u>223,023</u> | <u>218,000</u> |
| Deferred outflows | <u>25,400</u> | <u>30,291</u> |
| Long-term debt outstanding | 340,003 | 322,742 |
| Other liabilities | 13,604 | 17,874 |
| Total liabilities | <u>353,607</u> | <u>340,616</u> |
| Deferred inflows | <u>17,086</u> | <u>5,898</u> |
| Net Position: | | |
| Net investment in capital assets | 93,695 | 102,090 |
| Restricted | 141 | 154 |
| Unrestricted | <u>(216,106)</u> | <u>(200,467)</u> |
| Total Net Position | \$ <u>(122,270)</u> | \$ <u>(98,223)</u> |

Net position of the Town's governmental activities decreased by \$24.0 million or 24.4%. 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 \$(216.1) million at June 30, 2017 compared to \$(200.5) million at June 30, 2016. 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 | |
|---|------------------------------------|--------------------|
| | 2017 | 2016 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 15,711 | \$ 14,192 |
| Operating grants and contributions | 115,285 | 93,335 |
| Capital grants and contributions | - | 5 |
| General revenues: | | |
| Property taxes | 123,703 | 125,332 |
| Grants and contributions not restricted to specific purposes | 6,638 | 7,056 |
| Unrestricted investment earnings | 257 | 108 |
| Other general revenues | 991 | 1,257 |
| Total revenues | <u>262,585</u> | <u>241,285</u> |
| Program expenses: | | |
| General government | 39,889 | 39,739 |
| Public safety | 31,446 | 30,616 |
| Inspection and permits | 674 | 636 |
| Public works | 28,544 | 21,419 |
| Parks and recreation | 4,674 | 3,881 |
| Health and social services | 7,502 | 6,410 |
| Education | 172,436 | 158,237 |
| Interest on long-term debt | 1,467 | 1,697 |
| Total program expenses | <u>286,632</u> | <u>262,635</u> |
| Decrease in Net Position | (24,047) | (21,350) |
| Net Position at Beginning of Year | <u>(98,223)</u> | <u>(76,873)</u> |
| Net Position at End of Year | <u>\$ (122,270)</u> | <u>\$ (98,223)</u> |

The Town's total revenues were \$262.6 million. The total cost of all programs and services was \$286.6 million. The Town's overall decrease of \$24.0 million in net position compared with a decrease in net position of \$21.4 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 \$21.3 million to \$262.6 million compared to \$241.3 million in the prior year. Increases in Operational Grants of \$22.0 million, charges for services of \$1.5 million, respectively, were offset by a decrease in Property taxes of \$1.6 million.

The total program expenses increased \$24.0 million to \$286.6 million compared with \$262.6 million in the prior year. Education (\$14.2 million increase) and Public Works (\$7.1 million increase) spending were the primary drivers of the increase.

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 | |
|----------------------|-------------------------------|-------------------|-----------------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| General government | \$ 39,889 | \$ 39,739 | \$ 29,812 | \$ 37,099 |
| Public safety | 31,446 | 30,616 | 28,867 | 28,859 |
| Public works | 28,544 | 21,419 | 23,621 | 20,609 |
| Parks and recreation | 4,674 | 3,881 | 3,842 | 3,265 |
| Education | 172,436 | 158,237 | 67,861 | 63,198 |
| All others | 9,643 | 8,743 | 1,633 | 2,073 |
| Totals | <u>\$ 286,632</u> | <u>\$ 262,635</u> | <u>\$ 155,636</u> | <u>\$ 155,103</u> |

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$27.7 million, which is a \$9.6 million increase from last year's total of \$18.2 million.

Increases of \$5.8 million in the Capital Improvement Fund, \$3.5 million in the General Fund and \$0.2 million in the Non-major Governmental Fund accounted for the changes to fund balance.

The town's General Fund balance of \$20.8 million reported on Exhibit III differs from the General Fund's Budgetary Fund Balance of \$16.6 million. This is principally because budgetary fund balance does not include \$3.7 million of prepaid items and \$549 thousand of outstanding encumbrances at year-end.

The General Fund's budgetary revenue estimates generated a \$2.0 million favorable variance as reported in RSI-1 while the General Fund's budgetary expenses generated a \$1.9 million favorable variance as reported in RSI-2.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the Town had \$158.7 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 \$2.3 million, or 1.4%, over last year.

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

| | Governmental | |
|-----------------------------------|---------------------|-------------------|
| | Activities | |
| | 2017 | 2016 |
| Land | \$ 12,239 | \$ 12,137 |
| Buildings and improvements | 74,891 | 78,254 |
| Furniture, vehicles and equipment | 11,456 | 8,699 |
| Infrastructure | 43,597 | 45,523 |
| Construction in progress | 16,502 | 16,351 |
| Totals | <u>\$ 158,685</u> | <u>\$ 160,964</u> |

The Town's FY 2017-18 Adopted Capital Budget calls for it to spend up to \$1.3 million for various capital equipment including new fuel storage tanks at Ecology Drive, HVAC work at the Public Safety Complex, one small automated waste vehicle, field lighting, emergency extrication equipment, various utility vehicles, mowers, up to ten police cars, a variety of furniture and carpeting replacements, and a modest renovation of the Wickham Library.

Additional information of the Town's capital assets can be found in Note 5, Capital Assets of this report.

Long-Term Debt

At June 30, 2017, the Town had \$47.4 million in bonds outstanding versus \$38.8 million last year - an increase of \$8.6 million or 21.6% - as shown in Table 5. The increase is a result of the Town issuing debt during the reporting period.

Table 5
OUTSTANDING DEBT
(In Millions)

| | Governmental | |
|--------------------------|---------------------|----------------|
| | Activities | |
| | 2017 | 2016 |
| General Obligation Bonds | <u>\$ 47.4</u> | <u>\$ 38.8</u> |

The Town's general obligation bond rating is Aa3. 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 \$870.2 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 4.9% compared with the prior year of 5.8%.

The appropriation for expenditures totals \$185.2 million in the Adopted Budget for the 2017-18 fiscal year, representing an increase of \$3.4 million or 1.9% compared to the final amended budget for the fiscal year ended June 30, 2017.

The increase in the budget was a result of \$1.2 million to the Board of Education, \$0.9 million of additional pension plan contributions, \$0.7 million due to rising labor costs, and higher Debt and Capital borrowing costs of \$0.5 million combined.

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 Balance to balance budgeted operations for the 2017-18 fiscal year.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate of 47.05 for real estate and personal property and 39.00 for motor vehicles for the Adopted Budget for the 2017-18 fiscal year. Overall, when factoring in the minor shift for most taxpayers related to revaluation and the increasing mill rate on real estate and to a degree motor vehicles, the tax burden remained stable when compared year over year for the majority of taxpayers in East Hartford.

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, 2017
In Thousands

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 49,802 |
| Investments | 319 |
| Receivables, net | 9,671 |
| Other assets | 4,546 |
| Capital assets: | |
| Assets not being depreciated | 28,741 |
| Assets being depreciated, net | 129,944 |
| Total assets | <u>223,023</u> |
| Deferred Outflows of Resources: | |
| Changes in pension economic/demographic gains or losses | 3,794 |
| Changes in pension assumptions | 4,337 |
| Changes in pension investment gains or losses | 16,510 |
| Deferred charge on refunding | 759 |
| Total deferred outflows of resources | <u>25,400</u> |
| Liabilities: | |
| Accounts and other payables | 8,537 |
| Unearned revenue | 5,067 |
| Noncurrent liabilities: | |
| Due within one year | 17,505 |
| Due in more than one year | 322,498 |
| Total liabilities | <u>353,607</u> |
| Deferred Inflows of Resources: | |
| Changes in pension economic/demographic gains or losses | 3,987 |
| Changes in pension investment gains or losses | 5,576 |
| Advance property tax collections | 7,523 |
| Total deferred inflows of resources | <u>17,086</u> |
| Net Position: | |
| Net investment in capital assets | 93,695 |
| Restricted for trust purposes: | |
| Expendable | 141 |
| Unrestricted | <u>(216,106)</u> |
| Total Net Position | <u>\$ (122,270)</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, 2017
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 | \$ 39,889 | \$ 1,137 | \$ 8,940 | \$ | \$ (29,812) |
| Public safety | 31,446 | 2,010 | 569 | | (28,867) |
| Inspections and permits | 674 | 2,973 | | | 2,299 |
| Public works | 28,544 | 156 | 4,767 | | (23,621) |
| Parks and recreation | 4,674 | 508 | 324 | | (3,842) |
| Health and social services | 7,502 | 229 | 4,808 | | (2,465) |
| Education | 172,436 | 8,698 | 95,877 | | (67,861) |
| Interest on long-term debt | 1,467 | | | | (1,467) |
| Total | <u>\$ 286,632</u> | <u>\$ 15,711</u> | <u>\$ 115,285</u> | <u>\$ -</u> | <u>(155,636)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 123,703 |
| Grants and contributions not restricted to specific programs | | | | | 6,638 |
| Unrestricted investment earnings | | | | | 257 |
| Other general revenues | | | | | 991 |
| Total general revenues | | | | | <u>131,589</u> |
| Change in net position | | | | | (24,047) |
| Net Position, Beginning of Year | | | | | <u>(98,223)</u> |
| Net Position, End of Year | | | | | <u>\$ (122,270)</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
In Thousands

| | <u>General</u> | <u>State and Federal Education Grants</u> | <u>Capital Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------|---|--------------------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 31,600 | \$ 1,517 | \$ 6,329 | \$ 1,283 | \$ 40,729 |
| Investments | 247 | | | 72 | 319 |
| Receivables, net | 6,393 | 185 | | 3,093 | 9,671 |
| Due from other funds | 4,081 | | 3,307 | 2,414 | 9,802 |
| Other assets | <u>3,803</u> | | <u>385</u> | <u>77</u> | <u>4,265</u> |
| Total Assets | <u>\$ 46,124</u> | <u>\$ 1,702</u> | <u>\$ 10,021</u> | <u>\$ 6,939</u> | <u>\$ 64,786</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 5,154 | \$ 595 | \$ 1,465 | \$ 393 | \$ 7,607 |
| Due to other funds | 7,422 | | 3,665 | 216 | 11,303 |
| Unearned revenue | <u>1,554</u> | <u>1,107</u> | <u>1,138</u> | <u>1,268</u> | <u>5,067</u> |
| Total liabilities | <u>14,130</u> | <u>1,702</u> | <u>6,268</u> | <u>1,877</u> | <u>23,977</u> |
| Deferred inflows of resources: | | | | | |
| Advance property tax collections | 7,523 | | | | 7,523 |
| Unavailable revenue - property taxes | 3,575 | | | | 3,575 |
| Unavailable revenue - loan receivables | | | | 1,703 | 1,703 |
| Unavailable revenue - other receivables | <u>113</u> | | | <u>165</u> | <u>278</u> |
| Total deferred inflows of resources | <u>11,211</u> | <u>-</u> | <u>-</u> | <u>1,868</u> | <u>13,079</u> |
| Fund balances: | | | | | |
| Nonspendable | 3,652 | | 385 | 141 | 4,178 |
| Restricted | | | | 1,029 | 1,029 |
| Committed | | | 3,368 | 2,024 | 5,392 |
| Assigned | 549 | | | | 549 |
| Unassigned | <u>16,582</u> | | | | <u>16,582</u> |
| Total fund balances | <u>20,783</u> | <u>-</u> | <u>3,753</u> | <u>3,194</u> | <u>27,730</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 46,124</u> | <u>\$ 1,702</u> | <u>\$ 10,021</u> | <u>\$ 6,939</u> | <u>\$ 64,786</u> |

(Continued on next page)

TOWN OF EAST HARTFORD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017
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 | \$ 27,730 |
|--|-----------|

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

| | | |
|-------------------------------|------------------|---------|
| Governmental capital assets | \$ 320,541 | |
| Less accumulated depreciation | <u>(161,856)</u> | |
| Net capital assets | | 158,685 |

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 | 2,625 |
| Interest receivable on property taxes | 949 |
| Housing rehabilitation loans receivable | 1,703 |
| Other accounts receivable | 278 |
| Deferred outflows of resources - pension economic/demographic gains or losses | 3,794 |
| Deferred outflows of resources - pension assumptions | 4,337 |
| Deferred outflows of resources - pension investment gains or losses | 16,510 |
| Deferred charge on refunding | 759 |

| | |
|--|-------|
| 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. | 5,479 |
|--|-------|

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 liability | (179,770) |
| Net OPEB obligation | (70,682) |
| Bonds and notes payable | (47,395) |
| Unamortized bond premiums | (3,121) |
| Interest payable on bonds and notes | (334) |
| Landfill post closure monitoring | (420) |
| Compensated absences | (16,081) |
| Retirement obligations | (74) |
| Capital leases | (17,679) |
| Deferred inflows of resources - pension economic/demographic gains or losses | (3,987) |
| Deferred inflows of resources - pension investment gains or losses | <u>(5,576)</u> |

| | |
|---|---------------------|
| Net Position of Governmental Activities (Exhibit I) | <u>\$ (122,270)</u> |
|---|---------------------|

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, 2017
In Thousands

| | <u>General</u> | <u>State and Federal Education Grants</u> | <u>Capital Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|---|--------------------------------|--|---|
| Revenues: | | | | | |
| General property taxes | \$ 124,038 | \$ | \$ | \$ | \$ 124,038 |
| Licenses and permits | 3,111 | | | | 3,111 |
| Intergovernmental revenues | 77,850 | 27,666 | 6,328 | 10,084 | 121,928 |
| Charges for services | 9,043 | | | 3,601 | 12,644 |
| Investment income (loss) | 163 | | 17 | (3) | 177 |
| Other | 486 | | 167 | 448 | 1,101 |
| Total revenues | <u>214,691</u> | <u>27,666</u> | <u>6,512</u> | <u>14,130</u> | <u>262,999</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 38,651 | | | 420 | 39,071 |
| Public safety | 28,594 | | | 1,622 | 30,216 |
| Inspection and permits | 674 | | | | 674 |
| Public works | 8,839 | | | 2,453 | 11,292 |
| Parks and recreation | 3,323 | | | 1,399 | 4,722 |
| Health and social services | 4,690 | | | 1,692 | 6,382 |
| Education | 115,962 | 27,666 | | 5,230 | 148,858 |
| Capital outlay | | | 19,253 | | 19,253 |
| Debt and sundry | 9,101 | | 1,231 | | 10,332 |
| Total expenditures | <u>209,834</u> | <u>27,666</u> | <u>20,484</u> | <u>12,816</u> | <u>270,800</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>4,857</u> | <u>-</u> | <u>(13,972)</u> | <u>1,314</u> | <u>(7,801)</u> |
| Other Financing Sources (Uses): | | | | | |
| Refunding bond issuance | | | 6,225 | | 6,225 |
| Premium on refunding bonds | | | 732 | | 732 |
| Bond issuance | | | 14,835 | | 14,835 |
| Premium on bond issuance | | | 1,612 | | 1,612 |
| Payment to refunded bond escrow agent | | | (6,887) | | (6,887) |
| Transfers in | 1,110 | | 2,442 | 15 | 3,567 |
| Transfers out | (2,457) | | (13) | (1,097) | (3,567) |
| Multi-year lease purchase agreements | | | 862 | | 862 |
| Total other financing sources (uses) | <u>(1,347)</u> | <u>-</u> | <u>19,808</u> | <u>(1,082)</u> | <u>17,379</u> |
| Net Change in Fund Balances | 3,510 | - | 5,836 | 232 | 9,578 |
| Fund Balances at Beginning of Year | <u>17,273</u> | <u>-</u> | <u>(2,083)</u> | <u>2,962</u> | <u>18,152</u> |
| Fund Balances at End of Year | <u>\$ 20,783</u> | <u>\$ -</u> | <u>\$ 3,753</u> | <u>\$ 3,194</u> | <u>\$ 27,730</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, 2017
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) | \$ 9,578 |
|---|----------|

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 | 4,771 |
| Depreciation expense | (6,949) |
| Loss on disposal of capital assets | (101) |

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 | (381) |
| Property tax interest and lien revenue - accrual basis change | 46 |
| Housing rehabilitation loans - accrual basis change | 27 |
| Other accounts receivable - accrual basis change | (45) |
| Change in deferred outflows amounts related to pension economic/demographic gains or losses | (3,109) |
| Change in deferred outflows amounts related to pension changes in assumptions | 4,337 |
| Change in deferred outflows amounts related to pension investment gains or losses | (6,533) |

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 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 bonds | (21,060) |
| Bond principal payments | 12,420 |
| Premium on debt issuance | (2,344) |
| Capital lease payments | 2,595 |
| Capital lease financing | (862) |
| Amortization of deferred charge on refunding | 414 |
| Amortization of bond premiums | 275 |

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 | (571) |
| Accrued interest | 48 |
| Retirement obligations | 13 |
| Change in net pension liability | 1,131 |
| Net OPEB expense | (9,110) |
| Landfill post closure expense | (50) |
| Change in deferred inflows amounts related to pension economic/demographic gains or losses | (3,987) |
| Change in deferred inflows amounts related to pension changes in assumptions | (5,576) |

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.

| |
|-----|
| 976 |
|-----|

| | |
|--|--------------------|
| Change in Net Position of Governmental Activities (Exhibit II) | \$ <u>(24,047)</u> |
|--|--------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017
In Thousands

| | Governmental Activities Internal Service Funds |
|----------------------------------|---|
| Assets: | |
| Current: | |
| Cash and cash equivalents | \$ 9,073 |
| Due from other funds | 1,701 |
| Other assets | <u>283</u> |
| Total assets | <u>11,057</u> |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 597 |
| Due to other funds | 200 |
| Risk management claims | <u>2,981</u> |
| Total current liabilities | <u>3,778</u> |
| Noncurrent liabilities: | |
| Risk management claims | <u>1,800</u> |
| Total liabilities | <u>5,578</u> |
| Net Position: | |
| Unrestricted | \$ <u><u>5,479</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, 2017
In Thousands

| | Governmental Activities Internal Service Funds |
|-------------------------------------|---|
| Operating Revenues: | |
| Employer contributions | \$ 22,744 |
| Charges for goods and services | 2,808 |
| Other | 401 |
| Total operating revenues | <u>25,953</u> |
| Operating Expenses: | |
| Claims | 22,532 |
| Premiums and administrative charges | 2,526 |
| Total operating expenses | <u>25,058</u> |
| Operating Income | 895 |
| Nonoperating Revenue: | |
| Interest income | <u>81</u> |
| Change in Net Position | 976 |
| Net Position at Beginning of Year | <u>4,503</u> |
| Net Position at End of Year | <u><u>\$ 5,479</u></u> |

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
In Thousands

| | Governmental Activities Internal Service Funds |
|--|---|
| Cash Flows from Operating Activities: | |
| Cash received from employer contributions | \$ 22,744 |
| Cash received from charges for services | 2,808 |
| Cash received from other revenues | 401 |
| Cash paid for claims | (22,733) |
| Cash paid to other suppliers for services | (2,562) |
| Net receipts from interfund transactions | (894) |
| Net cash provided by (used in) operating activities | <u>(236)</u> |
| Cash Flows from Investing Activities: | |
| Investment income | <u>81</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (155) |
| Cash and Cash Equivalents at Beginning of Year | <u>9,228</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 9,073</u> |
| Reconciliation of Operating Income (Loss) to | |
| Net Cash Provided by (Used in) Operating Activities: | |
| Operating income (loss) | \$ <u>895</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by | |
| (used in) operating activities: | |
| (Increase) decrease in other assets | (36) |
| (Increase) decrease in due from other funds | (1,094) |
| Increase (decrease) in due to other funds | 200 |
| Increase (decrease) in accounts payable and accrued liabilities | 101 |
| Increase (decrease) in risk management claims | (302) |
| Total adjustments | <u>(1,131)</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ (236)</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, 2017
In Thousands

| | Pension and Other Employee Benefit Trust Funds | Agency Funds |
|---|---|-------------------------|
| | <u> </u> | <u> </u> |
| Assets: | | |
| Cash and cash equivalents | \$ 655 | \$ 1,617 |
| Accounts receivable | | 62 |
| Investments - mutual funds | <u>232,666</u> | <u> </u> |
| Total assets | <u>233,321</u> | \$ <u><u>1,679</u></u> |
| Liabilities: | | |
| Accounts payable | 270 | \$ |
| Due to student groups and agencies | <u> </u> | <u>1,679</u> |
| Total liabilities | <u>270</u> | \$ <u><u>1,679</u></u> |
| Net Position: | | |
| Restricted for Pension and Other Benefits | \$ <u><u>233,051</u></u> | |

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF CHANGES FIDUCIARY IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
In Thousands

| | Pension and Other Employee Benefit Trust Funds |
|---|---|
| Additions: | |
| Contributions: | |
| Employer | \$ 15,790 |
| Plan members | 3,661 |
| Total contributions | <u>19,451</u> |
| Investment income (loss): | |
| Net change in fair value of investments | 17,767 |
| Interest and dividends | 6,368 |
| Total investment income (loss) | <u>24,135</u> |
| Less investment expense | <u>(79)</u> |
| Net investment income (loss) | <u>24,056</u> |
| Total additions | <u>43,507</u> |
| Deductions: | |
| Benefits | 25,278 |
| Administration | 226 |
| Total deductions | <u>25,504</u> |
| Change in Net Position | 18,003 |
| Net Position at Beginning of Year | <u>215,048</u> |
| Net Position at End of Year | <u>\$ 233,051</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
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.

TOWN OF EAST HARTFORD, CONNECTICUT
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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.

Additionally, the Town reports the following fund types:

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

The Pension and Other Employee Benefit Trust Funds account for the activities of the Town's retirement system, and the Town's retiree healthcare system which accumulates resources for pension benefit payments and healthcare benefit payments, respectively, 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.

TOWN OF EAST HARTFORD, CONNECTICUT
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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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF EAST HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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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 acquisition value at the date of donation.

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

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

| Assets | Years |
|------------------------|--------------|
| Buildings | 50 |
| Other improvements | 20 |
| Infrastructure | 50 |
| Vehicles | 10-15 |
| Equipment | 10 |
| Furniture and fixtures | 20 |

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to pension in the government-wide statement of net position. The Town also reports a deferred inflow of resources for advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the

TOWN OF EAST HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, long-term loans, and other receivables. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. 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.

J. Net Pension Liability

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

K. Net OPEB Obligation

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the Town's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities, accordingly, in the government-wide financial statements.

L. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

M. 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

This balance represents 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.

N. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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. There were no additional appropriations made during the year. 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.

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In Thousands

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 | \$ 549 |
| Capital Improvement Fund | 9,469 |
| Nonmajor Governmental Funds | <u>1,161</u> |
| Total | <u>\$ 11,179</u> |

B. Deficit Fund Equity

| | |
|-------------------------|--------|
| Internal Service Funds: | |
| Workers' Compensation | \$ 734 |

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.

TOWN OF EAST HARTFORD, CONNECTICUT
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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*, \$13,621 of the Town's bank balance of \$15,235 was exposed to custodial credit risk as follows:

| | |
|--|-------------------------|
| Uninsured and uncollateralized | \$ 12,174 |
| Uninsured and collateral held by the pledging bank's trust department, not in the Town's name | <u>1,447</u> |
| Total Amount Subject to Custodial Credit Risk | <u><u>\$ 13,621</u></u> |

Cash Equivalents

At June 30, 2017, the Town's cash equivalents amounted to \$35,683. 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) | AAAm |

TOWN OF EAST HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
In Thousands

Investments

As of June 30, 2017, 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: | | | | | |
| Certificate of deposit | | \$ 247 | \$ 247 | \$ | \$ |
| U.S. Government obligations | AAA | 72 | | 72 | |
| Total | | 319 | \$ 247 | \$ 72 | \$ - |
| Other investments: | | | | | |
| Mutual funds | N/A | 232,666 | | | |
| Total Investments | | \$ 232,985 | | | |

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.

TOWN OF EAST HARTFORD, CONNECTICUT
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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.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2017:

| | June 30, 2017 | Fair Value Measurements Using | | |
|---------------------------------------|--------------------------|--------------------------------------|----------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by fair value level: | | | | |
| U.S. Government securities | \$ 72 | \$ 72 | \$ | \$ |
| Mutual funds | <u>232,666</u> | <u>232,666</u> | | |
| Total Investments by Fair Value Level | 232,738 | <u>\$ 232,738</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments not included above | <u>247</u> | | | |
| Total Investments | <u>\$ 232,985</u> | | | |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

TOWN OF EAST HARTFORD, CONNECTICUT
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4. RECEIVABLES

Receivables as of June 30, 2017 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>Nonmajor and Other Funds</u> | <u>Total</u> |
|--|-----------------|---|---|-----------------|
| Receivables: | | | | |
| Taxes | \$ 4,031 | \$ | \$ | \$ 4,031 |
| Accrued interest | 1,136 | | | 1,136 |
| Intergovernmental | | 185 | 1,225 | 1,410 |
| Accounts | 1,913 | | 367 | 2,280 |
| Loans and accrued interest on loans | | | 1,703 | 1,703 |
| Gross receivables | <u>7,080</u> | <u>185</u> | <u>3,295</u> | <u>10,560</u> |
| Less allowance for uncollectibles: | | | | |
| Taxes | (412) | | | (412) |
| Accrued interest on taxes | (187) | | | (187) |
| Accounts | <u>(88)</u> | | <u>(140)</u> | <u>(228)</u> |
| Total allowance | <u>(687)</u> | <u>-</u> | <u>(140)</u> | <u>(827)</u> |
| Net Total Receivables | <u>\$ 6,393</u> | <u>\$ 185</u> | <u>\$ 3,155</u> | <u>\$ 9,733</u> |

TOWN OF EAST HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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In Thousands

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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 | \$ 12,137 | \$ 102 | \$ | \$ 12,239 |
| Construction in progress | 16,351 | 151 | | 16,502 |
| Total capital assets not being depreciated | <u>28,488</u> | <u>253</u> | <u>-</u> | <u>28,741</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 140,201 | 50 | | 140,251 |
| Furniture, fixtures, vehicles and equipment | 31,588 | 4,468 | 2,959 | 33,097 |
| Infrastructure | 118,452 | | | 118,452 |
| Total capital assets being depreciated | <u>290,241</u> | <u>4,518</u> | <u>2,959</u> | <u>291,800</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 61,947 | 3,413 | | 65,360 |
| Furniture, fixtures, vehicles and equipment | 22,889 | 1,610 | 2,858 | 21,641 |
| Infrastructure | 72,929 | 1,926 | | 74,855 |
| Total accumulated depreciation | <u>157,765</u> | <u>6,949</u> | <u>2,858</u> | <u>161,856</u> |
| Total capital assets being depreciated, net | <u>132,476</u> | <u>(2,431)</u> | <u>101</u> | <u>129,944</u> |
| Governmental Activities Capital Assets, Net | \$ <u>160,964</u> | \$ <u>(2,178)</u> | \$ <u>101</u> | \$ <u>158,685</u> |

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

| | |
|--|-----------------|
| Governmental activities: | |
| General government | \$ 568 |
| Public safety | 1,253 |
| Public works | 2,783 |
| Parks and recreation | 155 |
| Health and social services | 14 |
| Education | <u>2,176</u> |
| Total Depreciation Expense - Governmental Activities | \$ <u>6,949</u> |

TOWN OF EAST HARTFORD, CONNECTICUT
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Construction Commitments

The Town has the following active construction projects as of June 30, 2017. At year end the Town's projects and commitments with contractors are as follows:

| Project Series | Project Authorization | Cumulative Expenditures | Encumbered | Balance June 30, 2017 |
|---------------------------------|------------------------------|--------------------------------|-------------------|------------------------------|
| 2016 Authorization | \$ 23,000 | \$ 733 | \$ 721 | \$ 21,546 |
| 2014 Authorization | 15,000 | 9,458 | 5,542 | - |
| Urban Action Grant | 250 | 240 | | 10 |
| 2012 Authorization | 18,256 | 17,049 | 1,543 | (336) |
| 2008 Authorization | 14,835 | 14,782 | 5 | 48 |
| 2007 Authorization | 21,000 | 17,161 | 1,443 | 2,396 |
| Town - Capital and Nonrecurring | 244 | 127 | 99 | 18 |
| BOE - Capital and Nonrecurring | 5,853 | 4,881 | | 972 |
| Capital leases | 6,922 | 5,949 | 116 | 857 |
| Total | \$ <u>105,360</u> | \$ <u>70,380</u> | \$ <u>9,469</u> | \$ <u>25,511</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, 2017 is presented below:

| Receivable Fund | Payable Fund | Amount |
|-----------------------------|-----------------------------|-------------------------|
| General Fund | Capital Improvement Fund | \$ 3,665 |
| | Nonmajor Governmental Funds | 216 |
| | Internal Service Fund | 200 |
| | | <u>4,081</u> |
| Capital Improvement Fund | General Fund | 3,307 |
| Nonmajor Governmental Funds | General Fund | 2,414 |
| Internal Service Fund | General Fund | <u>1,701</u> |
| Total | | \$ <u><u>11,503</u></u> |

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A summary of interfund transfers is presented below:

| | Transfers In | | | Total |
|-----------------------|-------------------------|---------------------------------|----------------------------------|--------------------------|
| | General Fund | Capital Improvements | Nonmajor Governmental | Transfers Out |
| Transfers out: | | | | |
| General Fund | \$ | \$ 2,442 | \$ 15 | \$ 2,457 |
| Capital Improvements | 13 | | | 13 |
| Nonmajor Governmental | <u>1,097</u> | | | <u>1,097</u> |
| Total Transfers In | <u>\$ 1,110</u> | <u>\$ 2,442</u> | <u>\$ 15</u> | <u>\$ 3,567</u> |

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 38,755 | \$ 21,060 | \$ 12,420 | \$ 47,395 | \$ 6,270 |
| Premium on refunding bonds | <u>1,052</u> | <u>2,344</u> | <u>275</u> | <u>3,121</u> | |
| Total bonds payable | 39,807 | 23,404 | 12,695 | 50,516 | 6,270 |
| Capital leases | 19,412 | 862 | 2,595 | 17,679 | 2,792 |
| Landfill postclosure monitoring | 370 | 78 | 28 | 420 | 28 |
| Compensated absences | 15,510 | 5,283 | 4,712 | 16,081 | 5,434 |
| Retirement obligations | 87 | | 13 | 74 | |
| Net OPEB obligation | 61,572 | 12,162 | 3,052 | 70,682 | |
| Net pension liability | 180,901 | | 1,131 | 179,770 | |
| Risk management claims | <u>5,083</u> | <u>22,230</u> | <u>22,532</u> | <u>4,781</u> | <u>2,981</u> |
| Governmental Activities Long-Term Liabilities | <u>\$ 322,742</u> | <u>\$ 64,019</u> | <u>\$ 46,758</u> | <u>\$ 340,003</u> | <u>\$ 17,505</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.

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Bonds payable at June 30, 2017 are comprised of the following individual issues:

| <u>Description</u> | <u>Interest Rate %</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Original Amount</u> | <u>Balance Outstanding June 30, 2017</u> |
|---|----------------------------|-----------------------|--------------------------|----------------------------|--|
| Refunding - issues dated 5/1/03 | 3.000 - 5.000 | 9/15/2009 | 5/1/2023 | \$ 8,370 | \$ 965 |
| General purpose | 2.000 - 5.000 | 7/1/2011 | 7/1/2021 | 11,000 | 2,750 |
| General purpose and school improvements | 2.000 - 3.000 | 2/26/2013 | 2/26/2028 | 12,230 | 7,770 |
| General purpose | 2.12 | 6/17/2014 | 1/15/2024 | 19,100 | 14,850 |
| General purpose | 2.125 - 4.000 | 9/28/2016 | 10/15/2026 | 14,835 | 14,835 |
| Refunding - issues dated 9/15/09 and 7/1/11 | 2.125 - 4.000 | 9/28/2016 | 10/15/2026 | 6,225 | 6,225 |
| Total | | | | \$ | <u>47,395</u> |

The annual requirements to amortize bonds payable as of June 30, 2017 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2018 | \$ 6,270 | \$ 1,454 | \$ 7,724 |
| 2019 | 6,985 | 1,229 | 8,214 |
| 2020 | 7,045 | 989 | 8,034 |
| 2021 | 6,025 | 747 | 6,772 |
| 2022 | 6,035 | 546 | 6,581 |
| 2023-2027 | 14,710 | 947 | 15,657 |
| 2028 | <u>325</u> | <u>9</u> | <u>334</u> |
| Total | <u>\$ 47,395</u> | <u>\$ 5,921</u> | <u>\$ 53,316</u> |

General Obligation Bonds Issuance

On September 28, 2016, the Town issued \$21,060 of general obligation bonds with interest rates ranging from 2.13% to 4.00% of which \$14,835 will be used to finance new projects of the Town and \$6,225 will be used to advance refund all or a portion of the outstanding maturities of the Towns' General Obligation Refunding Bonds, Issue of 2009, dated September 15, 2009 and General Obligation Bonds, Issue of 2011, Series A, dated July 1, 2011.

For the bonds refunded, the net proceeds of \$6,887 (including a premium of \$732 and issuance costs of \$69, including underwriter's fees) will reduce total debt service payments over the next 10 years by approximately \$209 and represents an economic gain (difference between present values of the debt service payments on the old and new debt) of \$213. As a result, the refunded bonds are considered defeased, and all future interest and principal on the defeased bonds will be paid from the proceeds of the refunding issue, which were placed into an irrevocable escrow account until all the defeased bonds have been called. The balance in escrow was \$6,586 at June 30, 2017. The outstanding balance of the defeased bonds as of June 30, 2017 is \$6,225.

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

| <u>Description</u> | <u>Authorized</u> | <u>Grants Received</u> | <u>Bonds Issued/ Paydowns</u> | <u>Authorized Unissued</u> |
|---|-------------------|----------------------------|-----------------------------------|--------------------------------|
| 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 |
| Flood Control System Improve 2010 | 7,000 | | 4,000 | 3,000 |
| East Hartford Middle School Window Wall | 1,600 | | | 1,600 |
| Road Improvements 2014 | 15,000 | | 9,996 | 5,004 |
| Road Improvements/Flood Control 2016 | 15,000 | | | 15,000 |
| Senior Center/Multi-purpose Facility 2016 | 5,000 | | | 5,000 |
| Silver Lane Corridor Improvements 2016 | 3,000 | | | 3,000 |
| Total | <u>\$ 63,971</u> | <u>\$ 9,629</u> | <u>\$ 21,322</u> | <u>\$ 33,020</u> |

The Town's indebtedness (\$195,632) does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

| <u>Category</u> | <u>Debt Limit</u> | <u>Net Indebtedness</u> | <u>Balance</u> |
|-----------------|-----------------------|-----------------------------|----------------|
| General purpose | \$ 279,691 | \$ 77,957 | \$ 201,734 |
| Schools | 559,382 | 2,458 | 556,924 |
| Sewers | 466,151 | 115,217 | 350,934 |
| Urban renewal | 403,998 | | 403,998 |
| Pension deficit | 372,921 | | 372,921 |

The total overall statutory debt limitation for the Town is equal to seven times annual receipts from taxation \$870,149.

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.

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The assets acquired through capital leases are as follows:

| | | |
|-------------------------------|----|----------------------|
| Asset class: | | |
| Building improvements | \$ | 14,417 |
| Vehicles | | 9,914 |
| Equipment | | 5,416 |
| Furniture | | 557 |
| Total gross value | | <u>30,304</u> |
| Less accumulated depreciation | | <u>(12,625)</u> |
| Net Book Value | \$ | <u><u>17,679</u></u> |

The net book value approximates the capital lease principal balance payable at June 30, 2017.

Principal payments for 2016-2017 were \$2,595. The following is a summary of capital lease commitments as of June 30, 2017:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---|-------------------------|
| 2018 | \$ 3,370 |
| 2019 | 3,253 |
| 2020 | 2,904 |
| 2021 | 2,699 |
| 2022 | 1,989 |
| Thereafter | <u>6,082</u> |
| Total minimum lease payments | 20,297 |
| Less amount representing interest | <u>(2,618)</u> |
| Present Value of Minimum Lease Payments | \$ <u><u>17,679</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 (now the Department of Energy and Environmental Protection, DEEP) requiring the Town to close and cap the landfill. Solid waste landfill closure and post closure care requirements have been established by DEEP. The Town began its post closure monitoring period during fiscal year 2003. The costs associated with monitoring and maintaining the landfill area during the post closure 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 15-year monitoring period are \$420. These estimates are subject to change due to inflation, changes in regulations or if environmental problems are identified during post closure monitoring period. None of these costs are expected to be paid from current available resources.

Post closure monitoring is approximately \$28 per year.

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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, 2017:

| | | |
|--------------|----|----------------------|
| Vested: | | |
| Sick | \$ | 6,535 |
| Vacation | | 2,917 |
| Compensatory | | 757 |
| Nonvested: | | |
| Sick | | <u>5,872</u> * |
| Total | \$ | <u><u>16,081</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 \$74 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 November 2013, the Town entered into an operating lease with a company to manage the operations of the Town's golf course. The initial term of the contract was effective on November 8, 2013 for a five-year term with an option to renew for two additional three-year terms if mutually agreed. The agreement calls for an initial funding by the Town of \$50 and includes an annual base management fee of \$81 per year. An additional incentive management fee is also provided for if the company outperforms the annual revenue budget projection at \$5 for each \$50 increase in total revenue over the budgeted projection.

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9. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2017 are as follows:

| | Major Funds | | | |
|----------------------|-------------------------|---|--|--------------|
| | General Fund | Capital Improvement Fund | Nonmajor Governmental Funds | Total |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Endowment | \$ | \$ | \$ 141 | \$ 141 |
| Prepaid expenditures | 3,652 | 385 | | 4,037 |
| Restricted for: | | | | |
| Grants | | | 574 | 574 |
| Donations | | | 455 | 455 |
| Committed to: | | | | |
| Capital projects | | 3,368 | | 3,368 |
| Redevelopment | | | 1 | 1 |
| School cafeteria | | | 1,437 | 1,437 |
| Youth services | | | 43 | 43 |
| Recreation programs | | | 373 | 373 |
| Education programs | | | 170 | 170 |
| Assigned to: | | | | |
| Purchases on order: | | | | |
| General government | 111 | | | 111 |
| Public works | 339 | | | 339 |
| Parks and recreation | 16 | | | 16 |
| Public safety | 83 | | | 83 |
| Unassigned | 16,582 | | | 16,582 |
| Total Fund Balances | \$ 20,783 | \$ 3,753 | \$ 3,194 | \$ 27,730 |

Significant encumbrances at June 30, 2017 are contained in the above table in the assigned category of the General 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 \$2,114 for the Workers' Compensation Fund, reported at June 30, 2017, is based on a summary report of outstanding liabilities for workers compensation and heart and hypertension claims. The claims liability of \$1,570 for the Health Benefits Fund, reported at June 30, 2017, is based on estimated claims incurred but not reported.

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A claims liability of \$1,097 for the General Liability Fund, reported at June 30, 2017, 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> |
|--------------------|---|---|---|---|
| 2016-17 | \$ 5,083 | \$ 22,230 | \$ 22,532 | \$ 4,781 |
| 2015-16 | 5,267 | 22,666 | 22,850 | 5,083 |

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 \$115,217 as of June 30, 2017.

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description and Benefits Provided

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 the Pension and Retiree Benefit board consisting of five members appointed by Town Council including the Town Treasurer, a Town Councilor, and three electors of the Town, one of whom shall be a member of the Town's retirement system. The board serves as trustee of the funds and shall determine contributions payable by the Town in accordance with sound actuarial principles. The Pension and Retiree Benefit Board shall ensure the pension funds are prudently invested for long-term, safe growth of invested funds. 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, dispatchers 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

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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. The paraprofessional employee pension plan closed as of June 30, 2015. 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.

Cost of living adjustments are provided to retirees as follows:

- General Town and Board of Education Employees: retirees and beneficiaries who retired prior to January 1, 1991 receive an annual 2% increase. Retirees and beneficiaries who retired on or after January 1, 1991 but prior to January 1, 2002 receive an annual 1% increase. Retirees and beneficiaries who retired on a Disability Pension after December 1, 1996 and prior to December 31, 2005 receive a 1% annual increase. Participants retiring after July 1, 2005 receive a 2% annual increase.
- Police and Fire Employees: Police retirees who retired after January 1, 2000 receive 2% increase per year with the first increase paid in the fifth year of retirement. Fire retirees who retired after July 1, 2005 receive a 1% increase beginning in the fifth year of retirement, increasing to 2% per year starting with the ninth year of retirement. Police and Fire retirees who retired prior to January 1, 1991 receive a 2% annual increase. Retirees and beneficiaries who retired on or after January 1, 1991 but prior to January 1, 2002 receive a 1% annual increase. (The 2% Police COLA supersedes the 1% for retirees and beneficiaries who retired in 2000 or 2001).

Plan benefits may be amended by the Town Council.

The membership of the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation (not rounded):

| | |
|--|---------------------|
| Retiree, disabled and beneficiaries currently receiving benefits | 682 |
| Terminated employees entitled to benefits but not yet receiving them | 27 |
| Current employees: | |
| Vested | 428 |
| Nonvested | 121 |
| Inactive participants eligible for a refund of contributions | 67 |
| | <hr/> |
| Total | <u><u>1,325</u></u> |

The pension plan was closed to new entrants on July 1, 2006.

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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 Change

There were no plan changes made for the July 1, 2016 valuation.

Plan Expenses

Expenses of administering the plan are paid for by the plan.

C. Funding Policy

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

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

| | |
|-------------------|--------|
| General Employees | 8.50 % |
| 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 32.7% of covered payroll. The annual required contribution for the current year was determined as part of the PERS actuarial valuation dated July 1, 2016.

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D. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

| Asset Class | Target Allocation |
|--|--------------------------|
| Domestic Equities | 35.00% |
| International Developed Markets Equities | 20.00% |
| Emerging Markets | 5.00% |
| REITs | 5.00% |
| Core Fixed Income | <u>35.00%</u> |
| Total Portfolio | <u><u>100.00%</u></u> |

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.01%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Deferred Retirement Option Plan (DROP)

The Town offers a DROP to bargaining unit members employed on or after July 1, 2001. Any bargaining unit member who is a member of the Retirement Plan for full-time employees of the Police Department of the Town upon completing his/her 25th year of service may elect the DROP at any time up to and through the completion of his/her 29th year of service. No bargaining unit member may elect the DROP after the completion of his/her 29th year of service. Upon the election of the DROP, no further pension benefits will accrue. During the DROP period, the employee's monthly pension benefits will be made to the employee's separately designated DROP account equal to 96% of the pension payment the employee was entitled to receive had that employee not elected the DROP. Upon separation from Town service, the monthly pension benefit shall increase to 100% of the monthly pension payment. During the DROP period, the employee will continue to make employee contributions equivalent to the amounts in effect at the time the DROP was elected and these contributions will be made to the Town's Pension Fund, not the member's separate DROP account. The DROP period has a minimum length of one year and a maximum of five years.

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F. Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2017 were as follows:

| | |
|---|-------------------|
| Total pension liability | \$ 404,392 |
| Plan fiduciary net position | <u>(224,622)</u> |
| Net Pension Liability | <u>\$ 179,770</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 55.55% |

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|---------------------------|------------------------------|
| Inflation | 2.0% |
| Salary increases | varies by age and department |
| Investment rate of return | 7.9%, including inflation |

Mortality rates were based on the RP-2000 Healthy Mortality Table projected 16 years with scale BB.

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

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Long-term returns are determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Weighting</u> |
|--|---|---------------------|
| Domestic Equities | 6.71% | 2.35% |
| International Developed Markets Equities | 7.71% | 1.54% |
| Emerging Markets | 9.81% | 0.49% |
| REITs | 6.71% | 0.34% |
| Core Fixed Income | 2.11% | <u>0.74%</u> |
| Total Portfolio | | 5.46% |
| Long-Term Inflation Expectation | | <u>2.00%</u> |
| Long-Term Expected Nominal Return | | <u><u>7.46%</u></u> |

Discount Rate

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries, are included. Projected employer contributions that are intended to fund the service costs of future plan members, and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances as of June 30, 2016 | \$ 389,116 | \$ 208,215 | \$ 180,901 |
| Changes for the year: | | | |
| Service cost | 5,896 | | 5,896 |
| Interest on total pension liability | 30,694 | | 30,694 |
| Change of benefit terms | 894 | | 894 |
| Differences between expected and actual experience | (5,376) | | (5,376) |
| Changes of assumptions | 5,848 | | 5,848 |
| Benefit payments | (22,680) | (22,680) | - |
| Employer contributions | | 12,738 | (12,738) |
| Member contributions | | 3,398 | (3,398) |
| Net investment income | | 23,155 | (23,155) |
| Administrative expenses | | (204) | 204 |
| Net changes | 15,276 | 16,407 | (1,131) |
| Balances as of June 30, 2017 | \$ 404,392 | \$ 224,622 | \$ 179,770 |

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.90%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.90%) or 1 percentage point higher (8.90%) than the current rate:

| | 1% Decrease in Discount Rate (6.90%) | Current Discount Rate (7.90%) | 1% Increase in Discount Rate (8.90%) |
|---|---|--|---|
| Net Pension Liability as of June 30, 2017 | \$ 225,581 | \$ 179,770 | \$ 141,295 |

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Pension Expense and Deferred Outflows of Resources

For the year ended June 30, 2017, the Town recognized pension expense of \$26,475. At June 30, 2017, the Town reported deferred outflows and inflows of resources related to pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes in pension economic/demographic gains or losses | \$ 3,794 | \$ 3,987 |
| Changes of assumptions | 4,337 | |
| Changes in pension investment gains or losses | <u>16,510</u> | <u>5,576</u> |
| Total | \$ <u>24,641</u> | \$ <u>9,563</u> |

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

| <u>Year Ending June 30,</u> | |
|---------------------------------|----------|
| 2018 | \$ 8,370 |
| 2019 | 5,947 |
| 2020 | 2,155 |
| 2021 | (1,394) |

13. 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.

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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.

Management of the post employment benefits plan is vested with the Director of Finance and the Pension and Retiree Benefits Board. Policy oversight is provided by the Pension and Retiree Benefits Board, which consists of five members, including the Town Treasurer, one member of the Town Council, two electors of the Town and one labor member.

At July 1, 2015, plan membership consisted of the following:

| | Retiree Health Plan (not rounded) |
|-----------------------------|--|
| Retired members and spouses | 1,056 |
| Active plan members | <u>1,364</u> |
| Total Participants | <u><u>2,420</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 \$787 per month for retiree only coverage and \$1,574 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 \$662 per month for retiree only coverage and \$1,324 per month for retiree and spouse coverage to age 65, and \$169 and \$338 per month, respectively, thereafter. The cost per month for Board of Education employees receiving dental coverage under Anthem is \$50 per month for retiree only coverage and \$100 per month for retiree and spouse coverage.

For the year ended June 30, 2017, plan members contributed \$76 and the TRB subsidy was \$187. 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 \$3,052 were made in accordance with actuarially determined requirements, which represent premium payments.

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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) | \$ | 13,919 |
| Interest on net OPEB obligation | | 2,463 |
| Adjustment to annual required contribution | | <u>(4,220)</u> |
| Annual OPEB cost | | 12,162 |
| Contributions made | | <u>3,052</u> |
| Change in net OPEB obligation | | 9,110 |
| Net OPEB obligation, beginning of year | | <u>61,572</u> |
| Net OPEB Obligation, End of Year | \$ | <u><u>70,682</u></u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2017, 2016 and 2015 are presented below:

| Fiscal Year Ended | Annual OPEB Cost (AOC) | Actual Contribution | Percentage of AOC Contributed | Net OPEB Obligation |
|----------------------------------|---------------------------------------|--------------------------------|--|------------------------------------|
| 6/30/15 | \$ 14,282 | \$ 3,831 | 26.8 % | \$ 55,102 |
| 6/30/16 | 12,174 | 5,704 | 46.9 | 61,572 |
| 6/30/17 | 12,162 | 3,052 | 25.1 | 70,682 |

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.

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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, 2015 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. The general inflation rate is 3.0%.

An annual healthcare cost trend rate of 8.0% is used initially, decreasing to an ultimate rate of 5.0% in 2021 and beyond. The remaining amortization period at July 1, 2015 was 21 years decreasing, closed group.

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.

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) |
|---|--|--|-----------------------------------|------------------------------------|---|
| 7/1/2011 | \$ 525 | \$ 148,883 | 0.35 % | \$ N/A | N/A |
| 7/1/2013 | 1,037 | 160,456 | 0.65 | 92,364 | 173% |
| 7/1/2015 | 2,448 | 134,043 | 1.83 | 87,571 | 150% |

Investment Policy

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

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The following was the Board's adopted asset allocation policy as of June 30, 2017:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| U.S. Large Cap | 18.00 % | 5.60 % |
| U.S Small Cap | 6.00 | 5.90 |
| International Large Cap | 15.00 | 5.80 |
| International Small Cap | 7.50 | 5.80 |
| Emerging Markets | 7.50 | 6.85 |
| Alternatives (RE, etc.) | 6.00 | 4.25 |
| Fixed Income | 40.00 | 1.75 |
| | | |
| Total | <u>100.00 %</u> | |

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

During the year, the Town implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The components of the net OPEB liability of the Town at June 30, 2017, were as follows:

| | | |
|--|----|----------------|
| Total OPEB liability | \$ | 154,033 |
| Plan fiduciary net position | | <u>(8,429)</u> |
| Net OPEB Liability | \$ | <u>145,604</u> |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 5.47% |

The Town's net OPEB liability will be required to be recorded on the government-wide financial statement of net position at June 30, 2018.

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Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Interest | 4.00% |
| Inflation | 4.00% |
| Healthcare cost trend rates | 8.0% for 2015, decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and beyond |

Mortality rates for Teachers, School Administrators, BOE Non-Certified and Town employees were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale BB.

Mortality rates for Police and Fire employees were based on the RP-2000 Mortality Table with separate male and female rates, with blue collar adjustment, combined table for nonannuitants and annuitants, projected to the valuation date with Scale BB.

The actuarial assumptions used in the June 30, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study has not been completed.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the OPEB plan's target asset allocation, as summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|--------------------------|---|
| U.S. Large Cap | 18.00 % | 5.60 % |
| U.S Small Cap | 6.00 | 5.90 |
| International Large Cap | 15.00 | 5.80 |
| International Small Cap | 7.50 | 5.80 |
| Emerging Markets | 7.50 | 6.85 |
| Alternatives (RE, etc.) | 6.00 | 4.25 |
| Fixed Income | 40.00 | 1.75 |
| Total | <u>100.00 %</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

| | 1% Decrease (2.58%) | Current Discount Rate (3.58%) | 1% Increase (4.58%) |
|--------------------|------------------------------------|--|------------------------------------|
| Net OPEB Liability | \$ 169,419 | \$ 145,604 | \$ 126,441 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.00% decreasing to 4.00%) or 1 percentage point higher (9.00% decreasing to 6.00%) than the current healthcare cost trend rates:

| | 1% Decrease (7.00% decreasing to 4.00%) | Healthcare Cost Trend Rates (8.00% decreasing to 5.00%) | 1% Increase (9.00% decreasing to 6.00%) |
|--------------------|--|--|--|
| Net OPEB Liability | \$ 122,513 | \$ 145,604 | \$ 175,010 |

14. DEFINED CONTRIBUTION PLAN

The Town established a defined contribution plan effective January 31, 2007 to provide benefits at retirement to full-time, non-public safety, non-teacher and non-dispatcher hired after January 1, 2006 for both the Town and Board of Education. The Town's Finance Department in cooperation with the Human Resources Department administers this single employer defined contribution benefit plan. Employees are required to contribute 6% of covered salary, which are matched by employer contributions of 4% of covered salary. Employees are fully vested in employee contributions and are fully vested after five years in employer contributions.

The value of the plan at June 30, 2017 is \$7,917. There were 300 participants as of June 30, 2017. During the fiscal year ended June 30, 2017, employees contributed \$833 (exclusive of lump-sum conversion amounts) and the Town contributed a matching employer contribution of \$549. Covered payroll totaled \$13,895. Plan provisions and contribution requirements are determined by contract approval by the East Hartford Town Council and may be amended only with bargaining unit approvals.

15. TEACHERS RETIREMENT

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

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

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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

At June 30, 2017, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|---|-------------------|
| Town's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>188,339</u> |
| Total | <u>\$ 188,339</u> |

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

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$20,539 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

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

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

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

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

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

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For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|--------------------------|---|
| Large Cap U.S. equities | 21.0% | 7.3% |
| Developed non-U.S. equities | 18.0% | 7.5% |
| Emerging markets (non-U.S.) | 9.0% | 8.6% |
| Core fixed income | 7.0% | 1.7% |
| Inflation linked bond fund | 3.0% | 1.3% |
| Emerging market bond | 5.0% | 4.8% |
| High yield bonds | 5.0% | 3.7% |
| Real estate | 7.0% | 5.9% |
| Private equity | 11.0% | 10.9% |
| Alternative investments | 8.0% | 0.7% |
| Liquidity fund | 6.0% | 0.4% |
| Total | 100.0% | |

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F. Discount Rate

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

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

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

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

I. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

16. PENSION AND OPEB COMBINING SCHEDULES

Pension and OPEB Combining Statement of Net Position

| | Pension Trust Fund | Retiree Benefit Trust Fund | Total |
|---|-----------------------------------|---|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 482 | \$ 173 | \$ 655 |
| Investments - mutual funds | <u>224,161</u> | <u>8,505</u> | <u>232,666</u> |
| Total assets | 224,643 | 8,678 | 233,321 |
| Liabilities: | | | |
| Accounts payable | <u>21</u> | <u>249</u> | <u>270</u> |
| Net Position: | | | |
| Restricted for Pension and Other Benefits | <u>\$ 224,622</u> | <u>\$ 8,429</u> | <u>\$ 233,051</u> |

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Pension and OPEB Combining Statement of Changes in Net Position

| | Pension Trust Fund | Retiree Benefit Trust Fund | Total |
|---|-----------------------------------|---|-------------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 12,738 | \$ 3,052 | \$ 15,790 |
| Plan members | 3,398 | 263 | 3,661 |
| Total contributions | <u>16,136</u> | <u>3,315</u> | <u>19,451</u> |
| Investment income: | | | |
| Net change in fair value of investments | 17,108 | 659 | 17,767 |
| Interest and dividends | 6,121 | 247 | 6,368 |
| Total investment income | <u>23,229</u> | <u>906</u> | <u>24,135</u> |
| Less investment expense | <u>(74)</u> | <u>(5)</u> | <u>(79)</u> |
| Net investment income | <u>23,155</u> | <u>901</u> | <u>24,056</u> |
| Total additions | <u>39,291</u> | <u>4,216</u> | <u>43,507</u> |
| Deductions: | | | |
| Benefits | 22,680 | 2,598 | 25,278 |
| Administration | 204 | 22 | 226 |
| Total deductions | <u>22,884</u> | <u>2,620</u> | <u>25,504</u> |
| Change in Net Position | 16,407 | 1,596 | 18,003 |
| Net Position at Beginning of Year | <u>208,215</u> | <u>6,833</u> | <u>215,048</u> |
| Net Position at End of Year | <u>\$ 224,622</u> | <u>\$ 8,429</u> | <u>\$ 233,051</u> |

17. COMMITMENTS AND CONTINGENCIES

The Town is located on the eastern bank of the Connecticut River, a major tributary, which outlets to Long Island Sound and the Atlantic Ocean. After extensive flooding caused by the Hurricane of 1938, the Army Corps of Engineers constructed a Flood Protection System (System) with the Town's assistance to protect a significant area of Town. The Town entered into an agreement with the Federal Government to own, operate and to maintain the System after its construction. The System consists of earthen levee, concrete floodwall, two closure structures, three storm water pump stations, storage pond and other associated infrastructure.

As a result of the Hurricane Katrina natural disaster in 2005, the Army Corps of Engineers reviewed their policies and standards which ultimately resulted in the creation of a new interim policy for flood protection systems. The heightened emphasis on maintenance and the new interim policy as well as the Federal Emergency Management Agency (FEMA) Accreditation process resulted in the Town needing to address and repair deficiencies in an effort to insure that the System provides the appropriate level of protection.

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In response to the Army Corps Engineer's directives and the findings of the FEMA accreditation study, the Town since 2007, has been systematically addressing necessary repairs and corrections to the System in order to improve stability and integrity of the System. The repairs include but are not limited to the following: the installation of sheet pile cut-off walls, soil bentonite cut-of wall, replacement of a failing timber bulkhead with a new steel sheeting bulkhead, replacement of a concrete retaining wall, and various repairs to the three storm water pump stations.

Additional work and repairs remain to be completed. The identified repairs include but are not limited to the following: the renovation of the two closure structures, repair of the Meadow Hill Outfall box culvert, renovations of the storm water pump stations including electrical systems as well as new pumps, removal of sediment from the Meadow Hill storage pond, acquisition of various property rights for the System, and replacement of the toe drain system to assist in the control of seepage within the levee structure.

The Town voters approved two individual \$7,000 bond authorizations in November 2007 and November 2011 to fund various repairs in order to maintain the Army Corps of Engineers active status as it relates to Public Law 84-99 as well as FEMA accreditation for the System. The Town also successfully secured Connecticut Department of Energy and Environmental Protection (CT DEEP) grant reimbursements for a total amount of \$7,000 for the rehabilitation of the System.

To date the Town has expended a majority of the \$21,000 on required System improvements, including the two \$7,000 Town voter bond authorizations and the \$7,000 CT DEEP grant reimbursement. The remaining funds have been programmed to complete required repairs which are currently in the design phase.

Public Works continues to develop an overall list of repairs and operational improvements for the System. The total cost of the rehabilitation of the System has been estimated at \$28,000 (in 2014 dollars) but final costs will not be known until all of the rehabilitation work is designed and construction is completed. All construction projects are being competitively bid and awarded. The Town is actively pursuing funding assistance both at the State and Federal levels to complete the remaining elements of the rehabilitation project which are estimated to cost \$7,000.

Landfill Remediation

Prior to the landfill closing, citizens fishing in the Hockanum River reported partially buried drums along the river south of the eastern landform. The drums and their contents were removed. Subsequently, two pockets of contamination above acceptable levels have been identified. Additional testing and characterization have been conducted to determine the scope of the remediation project. Meetings were then held with CT DEEP as well as the United States Environmental Protection Agency for the purpose of determining the extent of contamination in the soil, clean-up standards as well as to define a remediation plan.

The Town will provide a remediation plan based on CT DEEP's required standards. Once the plan is approved by the state and federal agencies, the Town will proceed with the design and associated land use permits. The Town will competitively bid the remediation work to be completed. 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 have a material effect on the financial statements.

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In Thousands

The remediation is estimated to be around \$3,000 but it's difficult to ascertain until DEEP provides a remediation standard to meet. There are conflicting positions within DEEP on this and they are not speaking with one voice.

18. 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 effect 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 refund personal property taxes in the amount of \$4,000 in 36 biannual 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, 2017
In Thousands

| | Budgeted Amounts | | | |
|------------------------------------|-------------------------|----------------|----------------|-----------------|
| | Original | Final | Actual | Variance |
| General property taxes: | | | | |
| Current tax levy | \$ 119,136 | \$ 119,136 | \$ 121,379 | \$ 2,243 |
| Prior years levy | 1,550 | 1,550 | 1,386 | (164) |
| Interest and liens | 1,350 | 1,350 | 1,273 | (77) |
| Total | <u>122,036</u> | <u>122,036</u> | <u>124,038</u> | <u>2,002</u> |
| Licenses and permits: | | | | |
| Protective | 13 | 13 | 49 | 36 |
| Amusement | 2 | 2 | 1 | (1) |
| Building structures and equipment | 1,500 | 1,500 | 2,961 | 1,461 |
| Street privilege and use | 11 | 11 | 12 | 1 |
| Health | 70 | 70 | 80 | 10 |
| Other licenses and fees | 19 | 19 | 8 | (11) |
| Total | <u>1,615</u> | <u>1,615</u> | <u>3,111</u> | <u>1,496</u> |
| Intergovernmental revenues: | | | | |
| Pilot/Telephone | 125 | 125 | 147 | 22 |
| Pilot - State Property | 1,050 | 1,050 | 781 | (269) |
| Distressed Municipalities | | | 232 | 232 |
| Controlling interest trans tax | 1 | 1 | | (1) |
| Municipal revenue sharing | 2,037 | 2,037 | 1,480 | (557) |
| MV mill rate grant | 3,455 | 3,455 | 2,603 | (852) |
| State relief - circuit breaker | 360 | 360 | 360 | - |
| Disability exemptions | 10 | 10 | 10 | - |
| Veterans exemptions | 40 | 40 | 38 | (2) |
| Abandoned motor vehicles | 1 | 1 | 9 | 8 |
| Education cost sharing | 41,711 | 41,711 | 41,656 | (55) |
| Pequot funds | 309 | 309 | 294 | (15) |
| Special education | 1,700 | 1,700 | 1,203 | (497) |
| Health and welfare | 30 | 30 | 25 | (5) |
| Transportation | 510 | 510 | | (510) |
| Revenue sharing | 4,448 | 4,448 | 4,448 | - |
| UMTA | 13 | 13 | 14 | 1 |
| Youth Services | 39 | 39 | 39 | - |
| Highway, Planning and Construction | | | 44 | 44 |
| Total | <u>55,839</u> | <u>55,839</u> | <u>53,383</u> | <u>(2,456)</u> |
| Charges for services: | | | | |
| Town Clerk | 720 | 720 | 1,109 | 389 |
| Public Safety | 523 | 523 | 32 | (491) |
| Emergency Management | | | 51 | 51 |
| Building | 26 | 26 | 14 | (12) |
| Public Works | 153 | 153 | 144 | (9) |
| Libraries | 16 | 16 | 28 | 12 |
| Recreation | 65 | 65 | 66 | 1 |
| Cemeteries | 165 | 165 | 149 | (16) |
| Total | <u>1,668</u> | <u>1,668</u> | <u>1,593</u> | <u>(75)</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, 2017
In Thousands

| | Budgeted Amounts | | | |
|--|-------------------------|--------------|---------------|-----------------|
| | Original | Final | Actual | Variance |
| Use of money: | | | | |
| Interest from investments | \$ 30 | \$ 30 | \$ 163 | \$ 133 |
| Fines and forfeits: | | | | |
| Traffic tags and motor vehicle fines | 70 | 70 | 65 | (5) |
| Other revenue: | | | | |
| Rentals | 75 | 75 | 81 | 6 |
| Compensation and insurance refunds | 90 | 90 | 180 | 90 |
| Miscellaneous | 75 | 75 | 161 | 86 |
| Total | 240 | 240 | 422 | 182 |
| Total revenues | 181,498 | 181,498 | 182,775 | 1,277 |
| Other financing sources: | | | | |
| Transfers in: | | | | |
| Capital Improvement Fund | 5 | 5 | 13 | 8 |
| Nonmajor funds | 321 | 321 | 1,097 | 776 |
| Total other financing sources | 326 | 326 | 1,110 | 784 |
| Total | \$ 181,824 | \$ 181,824 | 183,885 | \$ 2,061 |
| 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. | | | 20,539 | |
| State of Connecticut on-behalf contributions for WIC. | | | 3,278 | |
| Under liquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for GAAP financial reporting purposes. | | | (1) | |
| The Board of Education does not budget for a combination of intergovernmental grants and charges for services amounts received which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes. | | | 8,100 | |
| Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV | | | \$ 215,801 | |

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, 2017
In Thousands

| | Budgeted Amounts | | Actual | Variance |
|------------------------------------|-------------------------|--------------|---------------|-----------------|
| | Original | Final | | |
| General government: | | | | |
| Town Council | \$ 158 | \$ 158 | \$ 154 | \$ 4 |
| Town Clerk | 290 | 290 | 281 | 9 |
| Registrar | 115 | 120 | 118 | 2 |
| Selectmen | 2 | 2 | 2 | - |
| Mayor's Office | 433 | 433 | 370 | 63 |
| Corporation Counsel | 411 | 466 | 426 | 40 |
| Personnel | 305 | 380 | 371 | 9 |
| Libraries | 1,186 | 1,187 | 1,077 | 110 |
| Probate | 47 | 47 | 38 | 9 |
| Youth services | 412 | 412 | 394 | 18 |
| Grants administration | 108 | 108 | 66 | 42 |
| Finance administration | 130 | 135 | 133 | 2 |
| Accounts and control | 364 | 385 | 384 | 1 |
| Data processing | 1,499 | 1,510 | 1,429 | 81 |
| Purchasing | 197 | 197 | 161 | 36 |
| Treasury | 4 | 4 | 4 | - |
| Assessing | 530 | 536 | 527 | 9 |
| Revenue and collections | 407 | 419 | 405 | 14 |
| Employee benefits | 26,495 | 26,176 | 25,944 | 232 |
| Risk management | 1,034 | 1,034 | 1,033 | 1 |
| Development | 256 | 256 | 254 | 2 |
| Economic development | 35 | 35 | 5 | 30 |
| Planning and Zoning | 11 | 11 | 6 | 5 |
| Inland Wetlands | 7 | 7 | 4 | 3 |
| Z.B.A. | 5 | 5 | 3 | 2 |
| Boards, committees and commissions | 41 | 41 | 26 | 15 |
| M.D.C. | 4,898 | 4,898 | 4,898 | - |
| Contingency | 995 | 10 | | 10 |
| Total general government | 40,375 | 39,262 | 38,513 | 749 |
| Public safety: | | | | |
| Police: | | | | |
| Administration | 12,792 | 12,558 | 12,420 | 138 |
| Operations | 40 | 35 | 26 | 9 |
| Criminal investigation | 18 | 18 | 17 | 1 |
| Communications | 1,576 | 1,603 | 1,568 | 35 |
| Total police | 14,426 | 14,214 | 14,031 | 183 |
| Fire: | | | | |
| Administration | 582 | 554 | 538 | 16 |
| Fire suppression | 10,846 | 12,087 | 12,026 | 61 |
| Fire Marshal | 416 | 397 | 394 | 3 |
| Fire apparatus maintenance | 458 | 567 | 492 | 75 |
| Fire alarm maintenance | 302 | 330 | 305 | 25 |
| Emergency medical services | 655 | 554 | 503 | 51 |
| Emergency management | 75 | 81 | 75 | 6 |
| Training | 175 | 65 | 54 | 11 |
| Total fire | 13,509 | 14,635 | 14,387 | 248 |
| Total public safety | 27,935 | 28,849 | 28,418 | 431 |
| Inspections and permits | 733 | 733 | 674 | 59 |

(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, 2017
In Thousands

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|------------|---------|----------|
| | Original | Final | | |
| Public works: | | | | |
| Administration | \$ 333 | \$ 417 | \$ 415 | \$ 2 |
| Engineering | 617 | 520 | 509 | 11 |
| Highway services | 2,673 | 2,735 | 2,675 | 60 |
| Waste services | 2,436 | 2,368 | 2,328 | 40 |
| Fleet services | 1,487 | 1,449 | 1,396 | 53 |
| Building maintenance | 1,636 | 1,765 | 1,657 | 108 |
| Total public works | 9,182 | 9,254 | 8,980 | 274 |
| Parks and recreation: | | | | |
| Administration | 1,268 | 1,363 | 1,308 | 55 |
| Maintenance | 1,592 | 1,536 | 1,506 | 30 |
| Park other facilities | 339 | 286 | 256 | 30 |
| Fine arts | 20 | 20 | 15 | 5 |
| Total parks and recreation | 3,219 | 3,205 | 3,085 | 120 |
| Health and social services: | | | | |
| Administration | 109 | 108 | 107 | 1 |
| Community health and nursing | 136 | 121 | 116 | 5 |
| Social services | 288 | 308 | 300 | 8 |
| Elderly services - commissions | 6 | 6 | 5 | 1 |
| Elderly services | 847 | 806 | 603 | 203 |
| Community service persons disabilities | 3 | 3 | | 3 |
| Environment control | 256 | 281 | 281 | - |
| Total health and social services | 1,645 | 1,633 | 1,412 | 221 |
| Education | 89,266 | 87,326 | 87,323 | 3 |
| Debt service: | | | | |
| Bond principal and interest | 7,545 | 7,305 | 7,303 | 2 |
| Capital improvement - lease financing | 1,924 | 1,799 | 1,797 | 2 |
| Total debt service | 9,469 | 9,104 | 9,100 | 4 |
| Transfers out: | | | | |
| Capital Improvement Funds | | 2,443 | 2,443 | - |
| Special Revenue Funds | | 15 | 15 | - |
| Total transfers out | - | 2,458 | 2,458 | - |
| Total | \$ 181,824 | \$ 181,824 | 179,963 | \$ 1,861 |

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.

20,539

State of Connecticut on-behalf payments for WIC.

3,278

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.

(443)

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.

854

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.

8,100

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

\$ 212,291

TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EAST HARTFORD RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS *
In Thousands

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Total pension liability: | | | | |
| Service cost | \$ 5,896 | \$ 6,357 | \$ 6,284 | \$ 5,581 |
| Interest | 30,694 | 28,661 | 27,525 | 27,709 |
| Changes of benefit terms | 894 | | | |
| Differences between expected and actual experience | (5,376) | 2,080 | 10,500 | |
| Changes of assumptions | 5,848 | | | |
| Benefit payments, including refunds of member contributions | (22,680) | (21,313) | (20,322) | (20,114) |
| Net change in total pension liability | 15,276 | 15,785 | 23,987 | 13,176 |
| Total pension liability - beginning | 389,116 | 373,331 | 349,344 | 336,168 |
| Total pension liability - ending | <u>404,392</u> | <u>389,116</u> | <u>373,331</u> | <u>349,344</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | 12,738 | 11,856 | 11,046 | 10,251 |
| Contributions - member | 3,398 | 3,182 | 3,285 | 3,233 |
| Net investment income (loss) | 23,155 | (298) | 1,851 | 30,546 |
| Benefit payments, including refunds of member contributions | (22,680) | (21,313) | (20,322) | (20,114) |
| Administrative expense | (204) | (202) | (258) | (227) |
| Net change in plan fiduciary net position | 16,407 | (6,775) | (4,398) | 23,689 |
| Plan fiduciary net position - beginning | 208,215 | 214,990 | 219,388 | 195,699 |
| Plan fiduciary net position - ending | <u>224,622</u> | <u>208,215</u> | <u>214,990</u> | <u>219,388</u> |
| Net Pension Liability - Ending | <u>\$ 179,770</u> | <u>\$ 180,901</u> | <u>\$ 158,341</u> | <u>\$ 129,956</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 55.55% | 53.51% | 57.59% | 62.80% |
| Covered-employee payroll | \$ 38,956 | \$ 40,059 | \$ 40,940 | \$ 40,451 |
| Net pension liability as a percentage of covered-employee payroll | 461.47% | 451.59% | 386.76% | 321.27% |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EAST HARTFORD RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
In Thousands**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|---------------|---------------|---------------|----------------|----------------|--------------|----------------|--------------|--------------|----------------|
| Actuarially determined contribution | \$ 12,737 | \$ 11,879 | \$ 11,046 | \$ 10,187 | \$ 9,331 | \$ 9,207 | \$ 8,434 | \$ 8,189 | \$ 7,407 | \$ 7,147 |
| Contributions in relation to the actuarially determined contribution | <u>12,738</u> | <u>11,856</u> | <u>11,046</u> | <u>10,251</u> | <u>9,372</u> | <u>9,207</u> | <u>8,451</u> | <u>8,180</u> | <u>7,407</u> | <u>7,176</u> |
| Contribution Deficiency (Excess) | \$ <u>(1)</u> | \$ <u>23</u> | \$ <u>-</u> | \$ <u>(64)</u> | \$ <u>(41)</u> | \$ <u>-</u> | \$ <u>(17)</u> | \$ <u>9</u> | \$ <u>-</u> | \$ <u>(29)</u> |
| Covered-employee payroll | \$ 38,956 | \$ 40,059 | \$ 40,941 | \$ 40,451 | \$ 41,164 | \$ 42,374 | \$ 41,404 | \$ 41,056 | \$ 42,000 | \$ 41,759 |
| Contributions as a percentage of covered-employee payroll | 32.70% | 29.60% | 26.98% | 25.34% | 22.77% | 21.73% | 20.41% | 19.92% | 17.64% | 17.18% |

Notes to Schedule

Valuation date: July 1, 2016

Measurement date: June 30, 2017

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

Methods and assumptions used to determine contribution rates:

| | |
|--|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar of payroll, 3.25% (previously 3.50%) annual increase |
| Remaining amortization period | 27 years remaining as of July 1, 2016, closed |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.00% |
| Salary increases (General, Dispatcher and Paraprofessions) | 3.50% - 6.50% |
| Salary increases (Police and Fire Employees) | 4.00% - 22.00% |
| Investment rate of return | 7.90% (previously, 8.00%) |
| Retirement age - General Employees - Town and Board of Education | Hired prior to March 1, 1983 - later of age 62 and 8 years of service |
| Retirement age - General Employees - Town and Board of Education | Hired on or after March 1, 1983 - later of age 65 and 10 years of service or age 62 and completion of 25 years of service if earlier |
| Retirement age - Paraprofessional Employees | The earliest of (1) attainment of age 65 and completion of 10 years of service; (2) attainment of age 62 and completion of 25 years of service; or (3) the Rule of 85 |
| Retirement age - Dispatcher Employees | The earliest of (1) attainment of age 65 and completion of 5 years of service; (2) 25 years of service; or (3) the Rule of 75 |
| Retirement age - Police Officers and Firefighters | 25 years of service regardless of age, or mandatory retirement at age 65 with the completion of 10 years of service for Fire and 15 years of service for Police |
| Mortality - Males | RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, projected 16 years (previously 14) with Scale BB |
| Mortality - Females | RP-2000 Combined Healthy Mortality Table, projected 16 years (previously 14) with Scale BB |

* The amortization period has been reset as of July 1, 2013.

**TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
EAST HARTFORD RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS ***

| | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 11.01% | (0.11%) | 0.08% | 15.55% |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST THREE FISCAL YEARS *
In Thousands

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>188,339</u> | <u>145,826</u> | <u>134,612</u> |
| Total | <u>\$ 188,339</u> | <u>\$ 145,826</u> | <u>\$ 134,612</u> |
| Town's covered-employee payroll | \$ 53,796 | \$ 53,945 | \$ 53,833 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.26% | 59.50% | 61.51% |

Notes to Schedule

| | |
|-------------------------------|---|
| Changes in benefit terms | None |
| Changes of assumptions | During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015. |
| | During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010. |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of salary, closed |
| Remaining amortization period | 20.4 years |
| Asset valuation method | 4-year smoothed market |
| Investment rate of return | 8.50%, net of investment related expense |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH PLAN
LAST FISCAL YEAR*
In Thousands

| | <u>2017</u> |
|---|--------------------|
| Total OPEB liability: | |
| Service cost | \$ 4,682 |
| Interest | 5,685 |
| Differences between expected and actual experience | (1,998) |
| Changes of assumptions | 8,541 |
| Benefit payments | (2,598) |
| Net change in total OPEB liability | 14,312 |
| Total OPEB liability - beginning | 139,721 |
| Total OPEB liability - ending | <u>154,033</u> |
| Plan fiduciary net position: | |
| Contributions - employer | 3,052 |
| Contributions - member | 76 |
| Contributions - TRB subsidy | 187 |
| Net investment income (loss) | 901 |
| Benefit payments | (2,598) |
| Administrative expense | (22) |
| Net change in plan fiduciary net position | 1,596 |
| Plan fiduciary net position - beginning | 6,833 |
| Plan fiduciary net position - ending | <u>8,429</u> |
| Net OPEB Liability - Ending | <u>\$ 145,604</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.47% |
| Covered-employee payroll | \$ 90,636 |
| Net OPEB liability as a percentage of covered-employee payroll | 160.65% |

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREE HEALTH PLAN
LAST TEN FISCAL YEARS
In Thousands

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Actuarially determined contribution (1) | \$ 13,919 | \$ 13,747 | \$ 14,515 | \$ 13,816 | \$ 12,935 | \$ 11,284 | \$ 10,857 | \$ 11,189 | \$ 10,767 | \$ 10,360 |
| Contributions in relation to the actuarially determined contribution | <u>3,052</u> | <u>5,704</u> | <u>3,831</u> | <u>4,383</u> | <u>5,966</u> | <u>4,666</u> | <u>4,347</u> | <u>6,285</u> | <u>6,746</u> | <u>4,079</u> |
| Contribution Deficiency (Excess) | <u>\$ 10,867</u> | <u>\$ 8,043</u> | <u>\$ 10,684</u> | <u>\$ 9,433</u> | <u>\$ 6,969</u> | <u>\$ 6,618</u> | <u>\$ 6,510</u> | <u>\$ 4,904</u> | <u>\$ 4,021</u> | <u>\$ 6,281</u> |
| Covered-employee payroll | \$ 90,636 | \$ 87,571 | \$ 85,819 | \$ 84,103 | \$ 82,421 | \$ 80,772 | \$ 79,157 | \$ 77,574 | \$ 76,022 | \$ 74,502 |
| Contributions as a percentage of covered-employee payroll | 3.37% | 6.51% | 4.46% | 5.21% | 7.24% | 5.78% | 5.49% | 8.10% | 8.87% | 5.48% |

(1) Actuarially Determined Contributions prior to fiscal year ending June 30, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45

Notes to Schedule

Valuation date: July 1, 2015

Measurement date: June 30, 2017

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

Methods and assumptions used to determine contribution rates:

| | |
|--|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar of payroll, 3.50% annual increase |
| Remaining amortization period | 21 years remaining as of July 1, 2015, closed |
| Asset valuation method | Market value |
| Inflation/Salary Increase | 3.00% |
| Interest | 4.00% |
| Mortality - Teachers and School Administrators and BOE Non-Certified and Town | RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for nonannuitants and annuitants, projected to the valuation date with Scale BB |
| Mortality - Police and Fire | RP-2000 Mortality Table with separate male and female rates, with blue collar adjustment, combined table for nonannuitants and annuitants, projected to the valuation date with Scale BB |

* The amortization period has been reset as of July 1, 2013.

**TOWN OF EAST HARTFORD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
RETIREE HEALTH PLAN
LAST FISCAL YEAR***

2017

Annual money-weighted rate of return,
net of investment expense

13.42%

*Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

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, 2017 AND 2016
In Thousands

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 31,600 | \$ 25,310 |
| Investments | 247 | |
| Receivables: | | |
| Property taxes receivable, net | 3,619 | 4,269 |
| Property taxes accrued interest receivable, net | 949 | 903 |
| Accounts receivable, net | 1,825 | 242 |
| Due from other funds | 4,081 | 9,397 |
| Other assets | <u>3,803</u> | <u>222</u> |
| Total Assets | \$ <u>46,124</u> | \$ <u>40,343</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 5,154 | \$ 4,054 |
| Due to other funds | 7,422 | 6,008 |
| Unearned revenue | <u>1,554</u> | <u>3,059</u> |
| Total liabilities | <u>14,130</u> | <u>13,121</u> |
| Deferred inflows of resources: | | |
| Advance property tax collections | 7,523 | 5,898 |
| Unavailable revenue - property taxes | 3,575 | 3,909 |
| Unavailable revenue - other receivables | <u>113</u> | <u>142</u> |
| Total deferred inflows of resources | <u>11,211</u> | <u>9,949</u> |
| Fund balance: | | |
| Nonspendable | 3,652 | |
| Assigned | 549 | 961 |
| Unassigned | <u>16,582</u> | <u>16,312</u> |
| Total fund balance | <u>20,783</u> | <u>17,273</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ <u>46,124</u> | \$ <u>40,343</u> |

TOWN OF EAST HARTFORD, CONNECTICUT
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2017
In Thousands

| Grand List Year | Uncollected Taxes July 1, 2016 | Lawful Corrections | | Transfers To Suspense | Adjusted Taxes Collectible | Taxes Collected | Interest | Lien Fees | Total Collected | Uncollected Taxes June 30, 2017 ** |
|---|--------------------------------------|--------------------|------------|-----------------------------|----------------------------------|--------------------|----------|--------------|--------------------|--|
| | | Additions | Deductions | | | | | | | |
| 2015 | \$ 123,771 * | \$ 291 | \$ 873 | \$ 223 | \$ 122,966 | \$ 120,381 | \$ 481 | \$ 38 | \$ 120,900 | \$ 2,585 |
| 2014 | 3,306 | 77 | 48 | 235 | 3,100 | 2,107 | 399 | 13 | 2,519 | 993 |
| 2013 | 1,032 | 22 | 15 | 598 | 441 | 332 | 110 | 3 | 445 | 109 |
| 2012 | 83 | | | | 83 | 28 | 13 | | 41 | 55 |
| 2011 | 72 | | 14 | | 58 | 5 | 8 | | 13 | 53 |
| 2010 | 25 | 1 | | | 26 | 5 | 4 | | 9 | 21 |
| 2009 | 15 | | | | 15 | 4 | 4 | | 8 | 11 |
| 2008 | 28 | | | | 28 | 2 | 2 | | 4 | 26 |
| 2007 | 22 | 1 | | | 23 | 1 | 2 | | 3 | 22 |
| 2006 | 37 | | | | 37 | | | | | 37 |
| 2005 | 22 | | | | 22 | | | | | 22 |
| 2004 | 4 | | | | 4 | | | | | 4 |
| 2003 | 2 | | | | 2 | | | | | 2 |
| 2002 | 1 | | | | 1 | | | | | 1 |
| 2001 and prior | 3 | | | | 3 | | | | | 3 |
| Total | \$ 128,423 | \$ 392 | \$ 950 | \$ 1,056 | \$ 126,809 | \$ 122,865 | \$ 1,023 | \$ 54 | 123,942 | \$ 3,944 |
| Suspense collections | | | | | | | | | 368 | |
| Tax overpayment balance - June 30, 2016 | | | | | | | | | 86 | |
| Tax overpayment balance - June 30, 2017 | | | | | | | | | (89) | |
| Total tax collections | | | | | | | | | 124,307 | |
| Property taxes receivable considered available: | | | | | | | | | | |
| June 30, 2016 | | | | | | | | | (1,263) | |
| June 30, 2017 | | | | | | | | | 994 | |
| Total | | | | | | | | | \$ 124,038 | |

* Includes MVS tax levy of \$1,789.

**Amount represents property tax receivable of \$4,032 less overcollected balance of \$89, 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 |
| Community Development | Federal grant | Housing and community development |
| 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 FUNDS
JUNE 30, 2017
In Thousands

| | Special Revenue | | | | | | | Special State Grant Programs | Miscellaneous Projects and Programs |
|---|-----------------|-----------------------|------------------|--------------|----------------|--------------|---------------|------------------------------|-------------------------------------|
| | Redevelopment | Community Development | School Cafeteria | WIC Fund | Youth Services | Dog Fund | Town Aid Road | | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ | \$ 88 | \$ 965 | \$ | \$ | \$ | \$ | \$ | \$ |
| Investments | | | | | | | | | |
| Accounts receivable, net | | 1,712 | 696 | | | | | 220 | |
| Due from other funds | 1 | | | 88 | 78 | 10 | 177 | 1,042 | 493 |
| Other assets | | | | | | | | | |
| Total Assets | \$ 1 | \$ 1,800 | \$ 1,661 | \$ 88 | \$ 78 | \$ 10 | \$ 177 | \$ 1,262 | \$ 493 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ | \$ 4 | \$ 224 | \$ 2 | \$ 27 | \$ 10 | \$ 2 | \$ 12 | \$ 4 |
| Due to other funds | | 4 | | | | | | | |
| Unearned revenue | | | | 86 | 8 | | 175 | 799 | |
| Total liabilities | - | 8 | 224 | 88 | 35 | 10 | 177 | 811 | 4 |
| Deferred inflows of resources: | | | | | | | | | |
| Unavailable revenue - loan receivables | | 1,703 | | | | | | | |
| Unavailable revenue - other receivables | | | | | | | | | |
| Total deferred inflows of resources | - | 1,703 | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | | | |
| Nonspendable | | | | | | | | | |
| Restricted | | 89 | | | | | | 451 | 489 |
| Committed | 1 | | 1,437 | | 43 | | | | |
| Total fund balances | 1 | 89 | 1,437 | - | 43 | - | - | 451 | 489 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1 | \$ 1,800 | \$ 1,661 | \$ 88 | \$ 78 | \$ 10 | \$ 177 | \$ 1,262 | \$ 493 |

(Continued on next page)

TOWN OF EAST HARTFORD, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017
 In Thousands

| | Special Revenue | | | | | | | | | |
|---|--|----------------------------|---------------------------|----------------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------------------|------------------------------------|----------|
| | Local Capital Improvement Program | Health Service Grant | Police Private Duty | Parks and Recreation | Hockanum River Linear Park | Danahy Scholarship Fund | Brewer House Trust | Education Scholarships Fund | Education Fee Based Programs | Total |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ | \$ | \$ | \$ | \$ | 60 | \$ | 1,283 |
| Investments | | | | | | 72 | | | | 72 |
| Accounts receivable, net | 292 | | 165 | | 8 | | | | | 3,093 |
| Due from other funds | | 3 | | 513 | | | 9 | | | 2,414 |
| Other assets | | | | 77 | | | | | | 77 |
| Total Assets | \$ 292 | \$ 3 | \$ 165 | \$ 590 | \$ 8 | \$ 72 | \$ 9 | \$ 60 | \$ 170 | \$ 6,939 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable | \$ 88 | \$ | \$ | 20 | \$ | \$ | \$ | \$ | \$ | 393 |
| Due to other funds | 204 | | | | 8 | | | | | 216 |
| Unearned revenue | | 3 | | 197 | | | | | | 1,268 |
| Total liabilities | 292 | 3 | - | 217 | 8 | - | - | - | - | 1,877 |
| Deferred inflows of resources: | | | | | | | | | | |
| Unavailable revenue - loan receivables | | | | | | | | | | 1,703 |
| Unavailable revenue - other receivables | | | 165 | | | | | | | 165 |
| Total deferred inflows of resources | - | - | 165 | - | - | - | - | - | - | 1,868 |
| Fund balances: | | | | | | | | | | |
| Nonspendable | | | | | | 72 | 9 | 60 | | 141 |
| Restricted | | | | | | | | | | 1,029 |
| Committed | | | | 373 | | | | | 170 | 2,024 |
| Total fund balances | - | - | - | 373 | - | 72 | 9 | 60 | 170 | 3,194 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 292 | \$ 3 | \$ 165 | \$ 590 | \$ 8 | \$ 72 | \$ 9 | \$ 60 | \$ 170 | \$ 6,939 |

TOWN OF EAST HARTFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
In Thousands

| | Special Revenue | | | | | | | Special State Grant Programs | Miscellaneous Projects and Programs |
|--|-----------------|--------------------------|---------------------|-------------|-------------------|-------------|------------------|---------------------------------------|---|
| | Redevelopment | Community Development | School Cafeteria | WIC Fund | Youth Services | Dog Fund | Town Aid Road | | |
| Revenues: | | | | | | | | | |
| Intergovernmental | \$ | \$ 490 | \$ 4,162 | \$ 792 | \$ 105 | \$ | \$ 537 | \$ 2,490 | \$ 399 |
| Charges for services | | | 1,052 | | | 17 | | | 637 |
| Investment loss | | | | | | | | | |
| Miscellaneous | | 100 | | | 2 | | | | 338 |
| Total revenues | - | 590 | 5,214 | 792 | 107 | 17 | 537 | 2,490 | 1,374 |
| Expenditures: | | | | | | | | | |
| General government | 100 | | | | | | | 28 | 284 |
| Public safety | | | | | | 10 | | 290 | 446 |
| Public works | | 103 | | | | | 537 | 1,710 | 27 |
| Parks and recreation | | 56 | | | | | | 7 | 7 |
| Health and social services | | 362 | | 794 | 88 | | | 350 | 41 |
| Education | | | 5,119 | | | | | | |
| Total expenditures | 100 | 521 | 5,119 | 794 | 88 | 10 | 537 | 2,385 | 805 |
| Excess (Deficiency) of Revenues over Expenditures | (100) | 69 | 95 | (2) | 19 | 7 | - | 105 | 569 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | | | | | | | | | 15 |
| Transfers out | | | | | | (7) | | (10) | (655) |
| Total other financing uses | - | - | - | - | - | (7) | - | (10) | (640) |
| Net Change in Fund Balances | (100) | 69 | 95 | (2) | 19 | - | - | 95 | (71) |
| Fund Balances at Beginning of Year | 101 | 20 | 1,342 | 2 | 24 | - | - | 356 | 560 |
| Fund Balances at End of Year | \$ 1 | \$ 89 | \$ 1,437 | \$ - | \$ 43 | \$ - | \$ - | \$ 451 | \$ 489 |

(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, 2017
In Thousands

| | Special Revenue | | | | | | | | | |
|---|--|----------------------------|---------------------------|----------------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------------------|------------------------------------|-----------------|
| | Local Capital Improvement Program | Health Service Grant | Police Private Duty | Parks and Recreation | Hockanum River Linear Park | Danahy Scholarship Fund | Brewer House Trust | Education Scholarships Fund | Education Fee Based Programs | Total |
| Revenues: | | | | | | | | | | |
| Intergovernmental | \$ 1,052 | \$ 57 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | 10,084 |
| Charges for services | | | 1,286 | 413 | | | | | 196 | 3,601 |
| Investment loss | | | | | | (3) | | | | (3) |
| Miscellaneous | | | | | | | | 8 | | 448 |
| Total revenues | <u>1,052</u> | <u>57</u> | <u>1,286</u> | <u>413</u> | <u>-</u> | <u>(3)</u> | <u>-</u> | <u>8</u> | <u>196</u> | <u>14,130</u> |
| Expenditures: | | | | | | | | | | |
| General government | 8 | | | | | | | | | 420 |
| Public safety | | | 876 | | | | | | | 1,622 |
| Public works | 76 | | | | | | | | | 2,453 |
| Parks and recreation | 968 | | | 360 | | | 1 | | | 1,399 |
| Health and social services | | 57 | | | | | | | | 1,692 |
| Education | | | | | | 3 | | 14 | 94 | 5,230 |
| Total expenditures | <u>1,052</u> | <u>57</u> | <u>876</u> | <u>360</u> | <u>-</u> | <u>3</u> | <u>1</u> | <u>14</u> | <u>94</u> | <u>12,816</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>410</u> | <u>53</u> | <u>-</u> | <u>(6)</u> | <u>(1)</u> | <u>(6)</u> | <u>102</u> | <u>1,314</u> |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | | | | | | | | | | 15 |
| Transfers out | (15) | | (410) | | | | | | | (1,097) |
| Total other financing uses | <u>(15)</u> | <u>-</u> | <u>(410)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,082)</u> |
| Net Change in Fund Balances | (15) | - | - | 53 | - | (6) | (1) | (6) | 102 | 232 |
| Fund Balances at Beginning of Year | <u>15</u> | <u>-</u> | <u>-</u> | <u>320</u> | <u>-</u> | <u>78</u> | <u>10</u> | <u>66</u> | <u>68</u> | <u>2,962</u> |
| Fund Balances at End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 373</u> | <u>\$ -</u> | <u>\$ 72</u> | <u>\$ 9</u> | <u>\$ 60</u> | <u>\$ 170</u> | <u>\$ 3,194</u> |

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, 2017
In Thousands

| | <u>Health Benefits</u> | <u>Workers' Compensation</u> | <u>General Liability</u> | <u>Total</u> |
|---------------------------|----------------------------|----------------------------------|------------------------------|-----------------|
| Assets: | | | | |
| Current: | | | | |
| Cash and cash equivalents | \$ 5,714 | \$ 1,184 | \$ 2,175 | \$ 9,073 |
| Due from other funds | 1,701 | | | 1,701 |
| Other assets | | 200 | 83 | 283 |
| Total assets | <u>7,415</u> | <u>1,384</u> | <u>2,258</u> | <u>11,057</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 593 | 4 | | 597 |
| Due to other funds | | | 200 | 200 |
| Risk management claims | <u>1,570</u> | <u>314</u> | <u>1,097</u> | <u>2,981</u> |
| Total current liabilities | <u>2,163</u> | <u>318</u> | <u>1,297</u> | <u>3,778</u> |
| Noncurrent liabilities: | | | | |
| Risk management claims | | <u>1,800</u> | | <u>1,800</u> |
| Total liabilities | <u>2,163</u> | <u>2,118</u> | <u>1,297</u> | <u>5,578</u> |
| Net Position: | | | | |
| Unrestricted | \$ <u>5,252</u> | \$ <u>(734)</u> | \$ <u>961</u> | \$ <u>5,479</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, 2017
In Thousands

| | <u>Health Benefits</u> | <u>Workers' Compensation</u> | <u>General Liability</u> | <u>Total</u> |
|-------------------------------------|----------------------------|----------------------------------|------------------------------|-----------------|
| Operating Revenues: | | | | |
| Employer contributions | \$ 19,392 | \$ 1,722 | \$ 1,630 | \$ 22,744 |
| Charges for goods and services | 2,808 | | | 2,808 |
| Other | 234 | 103 | 64 | 401 |
| Total operating revenues | <u>22,434</u> | <u>1,825</u> | <u>1,694</u> | <u>25,953</u> |
| Operating Expenses: | | | | |
| Claims | 19,732 | 1,389 | 1,411 | 22,532 |
| Premiums and administrative charges | 2,427 | 64 | 35 | 2,526 |
| Total operating expenses | <u>22,159</u> | <u>1,453</u> | <u>1,446</u> | <u>25,058</u> |
| Operating Income | 275 | 372 | 248 | 895 |
| Nonoperating Revenue: | | | | |
| Interest income | <u>58</u> | <u>10</u> | <u>13</u> | <u>81</u> |
| Change in Net position | 333 | 382 | 261 | 976 |
| Net Position at Beginning of Year | <u>4,919</u> | <u>(1,116)</u> | <u>700</u> | <u>4,503</u> |
| Net Position at End of Year | <u>\$ 5,252</u> | <u>\$ (734)</u> | <u>\$ 961</u> | <u>\$ 5,479</u> |

TOWN OF EAST HARTFORD, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
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 | \$ 19,392 | \$ 1,722 | \$ 1,630 | \$ 22,744 |
| Cash received from charges for services | 2,808 | | | 2,808 |
| Cash received from other revenues | 234 | 103 | 64 | 401 |
| Cash paid for claims | (19,320) | (1,740) | (1,673) | (22,733) |
| Cash paid to other suppliers for services | (2,427) | (64) | (71) | (2,562) |
| Net receipts from interfund transactions | (1,094) | | 200 | (894) |
| Net cash provided by (used in) operating activities | <u>(407)</u> | <u>21</u> | <u>150</u> | <u>(236)</u> |
| Cash Flows from Investing Activities: | | | | |
| Investment income (loss) | <u>58</u> | <u>10</u> | <u>13</u> | <u>81</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (349) | 31 | 163 | (155) |
| Cash and Cash Equivalents at Beginning of Year | <u>6,063</u> | <u>1,153</u> | <u>2,012</u> | <u>9,228</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 5,714</u> | <u>\$ 1,184</u> | <u>\$ 2,175</u> | <u>\$ 9,073</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Operating income (loss) | \$ <u>275</u> | \$ <u>372</u> | \$ <u>248</u> | \$ <u>895</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| (Increase) decrease in other assets | | | (36) | (36) |
| (Increase) decrease in due from other funds | (1,094) | | | (1,094) |
| Increase (decrease) in due to other funds | | | 200 | 200 |
| Increase (decrease) in accounts payable | 236 | (135) | | 101 |
| Increase (decrease) in risk management claims | 176 | (216) | (262) | (302) |
| Total adjustments | <u>(682)</u> | <u>(351)</u> | <u>(98)</u> | <u>(1,131)</u> |
| Net Cash Provided by (Used In) Operating Activities | <u>\$ (407)</u> | <u>\$ 21</u> | <u>\$ 150</u> | <u>\$ (236)</u> |

Fiduciary Funds

FIDUCIARY FUNDS

Trust Funds

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

Retiree Benefit Trust Fund - to account for the activities of the Town's retiree healthcare system, which accumulates resources for healthcare benefit payments to qualified Town employees.

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, 2017
In Thousands

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|----------------------------------|---------------------------------------|------------------|-------------------|--|
| Student Activity Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>185</u> | \$ <u>492</u> | \$ <u>453</u> | \$ <u>224</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>185</u> | \$ <u>492</u> | \$ <u>453</u> | \$ <u>224</u> |
| Developers' Escrow Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>1,547</u> | \$ <u>7</u> | \$ <u>190</u> | \$ <u>1,364</u> |
| Accounts receivables | <u>62</u> | <u>62</u> | | <u>62</u> |
| Total Assets | \$ <u>1,547</u> | \$ <u>69</u> | \$ <u>190</u> | \$ <u>1,426</u> |
| Liabilities: | | | | |
| Due to other funds | \$ <u>17</u> | \$ <u>17</u> | \$ <u>17</u> | \$ <u>-</u> |
| Due to agencies | <u>1,530</u> | <u>69</u> | <u>173</u> | <u>1,426</u> |
| Total Liabilities | \$ <u>1,547</u> | \$ <u>69</u> | \$ <u>190</u> | \$ <u>1,426</u> |
| Flexible Spending Plan | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>29</u> | \$ <u>87</u> | \$ <u>87</u> | \$ <u>29</u> |
| Liabilities: | | | | |
| Due to agencies | \$ <u>29</u> | \$ <u>87</u> | \$ <u>87</u> | \$ <u>29</u> |
| Totals - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ <u>1,761</u> | \$ <u>586</u> | \$ <u>730</u> | \$ <u>1,617</u> |
| Accounts receivables | <u>62</u> | <u>62</u> | | <u>62</u> |
| Total Assets | \$ <u>1,761</u> | \$ <u>648</u> | \$ <u>730</u> | \$ <u>1,679</u> |
| Liabilities: | | | | |
| Due to student groups | \$ <u>185</u> | \$ <u>492</u> | \$ <u>453</u> | \$ <u>224</u> |
| Due to other funds | <u>17</u> | <u>17</u> | <u>17</u> | <u>-</u> |
| Due to agencies | <u>1,559</u> | <u>156</u> | <u>260</u> | <u>1,455</u> |
| Total Liabilities | \$ <u>1,761</u> | \$ <u>648</u> | \$ <u>730</u> | \$ <u>1,679</u> |

Supplementary Data

TOWN OF EAST HARTFORD, CONNECTICUT
CAPITAL IMPROVEMENT FUND
SCHEDULE OF PROJECT AUTHORIZATIONS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017
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> |
|----------------------------------|---------------------------|--|------------------------------------|-------------------|-----------------------------|
| 2016 Authorization: | | | | | |
| Road Construction | \$ 10,000 | \$ 733 | \$ 733 | \$ 721 | \$ 8,546 |
| Levees | 5,000 | | | | 5,000 |
| Senior Center | 5,000 | | | | 5,000 |
| Silver Lane School | 3,000 | | | | 3,000 |
| Total | <u>23,000</u> | <u>733</u> | <u>733</u> | <u>721</u> | <u>21,546</u> |
| 2014 Authorization: | | | | | |
| Road Construction | <u>15,000</u> | <u>3,808</u> | <u>9,458</u> | <u>5,542</u> | <u>-</u> |
| Urban Action Grant: | | | | | |
| Total | <u>250</u> | <u>64</u> | <u>240</u> | | <u>10</u> |
| 2012 Authorization: | | | | | |
| Road Reconstruction | 10,000 | 2,116 | 10,000 | | - |
| East Hartford Middle School WW | <u>8,256</u> | <u>5,638</u> | <u>7,049</u> | <u>1,543</u> | <u>(336)</u> |
| Total | <u>18,256</u> | <u>7,754</u> | <u>17,049</u> | <u>1,543</u> | <u>(336)</u> |
| 2008 Authorization: | | | | | |
| Road Reconstruction | 10,000 | | 10,000 | | - |
| School Improvements | 2,735 | | 2,694 | 1 | 40 |
| Library Improvements | <u>2,100</u> | <u>22</u> | <u>2,088</u> | <u>4</u> | <u>8</u> |
| Total | <u>14,835</u> | <u>22</u> | <u>14,782</u> | <u>5</u> | <u>48</u> |
| 2007 Authorization: | | | | | |
| Levees | 20,716 | 154 | 16,993 | 1,443 | 2,280 |
| Capital Improvement Program | <u>284</u> | | <u>168</u> | | <u>116</u> |
| Total | <u>21,000</u> | <u>154</u> | <u>17,161</u> | <u>1,443</u> | <u>2,396</u> |
| Town - Capital and Nonrecurring: | | | | | |
| EHGC Water Division | <u>244</u> | <u>82</u> | <u>127</u> | <u>99</u> | <u>18</u> |
| BOE - Capital and Nonrecurring: | | | | | |
| Barnes School | 500 | 15 | 500 | | - |
| MUNIS Financial Software | 250 | | 250 | | - |
| Langford School Roof | 1,718 | 388 | 770 | | 948 |
| EHHS Football Field | 1,630 | 1,331 | 1,630 | | - |
| CIP 15-16 | 872 | 75 | 872 | | - |
| CIP 16-17 | <u>883</u> | <u>859</u> | <u>859</u> | | <u>24</u> |
| Total | <u>5,853</u> | <u>2,668</u> | <u>4,881</u> | <u>-</u> | <u>972</u> |
| Capital Leases: | | | | | |
| Town Leases 2014-2015 | 765 | 30 | 765 | | - |
| Town Leases 2015-2016 | 767 | 16 | 755 | | 12 |
| Town Leases 2016 | 3,675 | 3,191 | 3,662 | 13 | - |
| Town Leases 2016-2017 | 853 | 725 | 761 | 29 | 63 |
| Town Leases 2017-2018 | <u>862</u> | <u>6</u> | <u>6</u> | <u>74</u> | <u>782</u> |
| Total | <u>6,922</u> | <u>3,968</u> | <u>5,949</u> | <u>116</u> | <u>857</u> |
| Total | <u>\$ 105,360</u> | <u>\$ 19,253</u> | <u>\$ 70,380</u> | <u>\$ 9,469</u> | <u>\$ 25,511</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.

TABLE 1

TOWN OF EAST HARTFORD, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
In Thousands

| | FISCAL YEAR | | | | | | | | | |
|--|---------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 93,695 | \$ 102,090 | \$ 102,696 | \$ 100,706 | \$ 115,911 | \$ 112,960 | \$ 118,754 | \$ 116,335 | \$ 115,698 | \$ 130,943 |
| Restricted | 141 | 154 | 162 | 174 | 171 | 190 | 191 | 196 | 194 | 227 |
| Unrestricted | (216,106) | (200,467) | (179,731) | (158,501) | (30,577) | (20,864) | (21,534) | (13,234) | (4,360) | (7,683) |
| Total Governmental Activities Net Position | \$ <u>(122,270)</u> | \$ <u>(98,223)</u> | \$ <u>(76,873)</u> | \$ <u>(57,621)</u> | \$ <u>85,505</u> | \$ <u>92,286</u> | \$ <u>97,411</u> | \$ <u>103,297</u> | \$ <u>111,532</u> | \$ <u>123,487</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 | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|------------|------------|------------|------------|-------------|------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 39,889 | \$ 39,739 | \$ 40,425 | \$ 39,230 | \$ 38,508 | \$ 34,681 | \$ 31,495 | \$ 31,334 | \$ 33,606 | \$ 30,124 |
| Public safety | 31,446 | 30,616 | 32,764 | 29,437 | 27,903 | 29,661 | 27,576 | 25,749 | 25,809 | 26,300 |
| Inspections and permits | 674 | 636 | 654 | 644 | 656 | 639 | 645 | 682 | 849 | 669 |
| Public works | 28,544 | 21,419 | 19,575 | 20,209 | 16,112 | 13,219 | 20,549 | 16,204 | 17,712 | 16,344 |
| Parks and recreation | 4,674 | 3,881 | 3,852 | 3,421 | 3,332 | 3,165 | 3,666 | 3,308 | 3,641 | 4,032 |
| Health and social services | 7,502 | 6,410 | 5,706 | 5,392 | 3,255 | 3,063 | 3,336 | 3,306 | 3,086 | 3,437 |
| Education | 172,436 | 158,237 | 149,674 | 140,193 | 126,568 | 124,623 | 124,447 | 115,034 | 118,104 | 134,084 |
| Interest on long-term debt | 1,467 | 1,697 | 1,778 | 1,918 | 1,941 | 1,519 | 1,640 | 1,208 | 2,020 | 1,689 |
| Total governmental activities expenses | 286,632 | 262,635 | 254,428 | 240,444 | 218,275 | 210,570 | 213,354 | 196,825 | 204,827 | 216,679 |
| Program Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | 1,137 | 952 | 765 | 777 | 886 | 938 | 849 | 1,069 | 1,158 | 1,669 |
| Public safety | 2,010 | 1,553 | 1,699 | 1,701 | 1,570 | 1,554 | 2,294 | 1,365 | 674 | 1,656 |
| Inspections and permits | 2,973 | 1,659 | 784 | 1,204 | 616 | 1,966 | 484 | 481 | 458 | 1,370 |
| Education | 8,698 | 9,083 | 8,305 | 8,307 | 7,784 | 7,869 | 6,640 | 5,727 | 5,062 | 4,174 |
| Other | 893 | 945 | 849 | 810 | 936 | 909 | 930 | 1,029 | 997 | 1,106 |
| Operating grants and contributions | 115,285 | 93,335 | 92,176 | 87,389 | 76,654 | 76,757 | 77,598 | 72,772 | 71,002 | 90,525 |
| Capital grants and contributions | | 5 | 20 | 3 | 200 | 276 | 6,536 | 1,751 | 3,736 | 644 |
| Total governmental activities program revenues | 130,996 | 107,532 | 104,598 | 100,191 | 88,646 | 90,269 | 95,331 | 84,194 | 83,087 | 101,144 |
| Net Expense: | | | | | | | | | | |
| Governmental activities | (155,636) | (155,103) | (149,830) | (140,253) | (129,629) | (120,301) | (118,023) | (112,631) | (121,740) | (115,535) |
| General Revenues and Other Changes in Net Position: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | 123,703 | 125,332 | 121,369 | 117,749 | 116,396 | 107,062 | 104,956 | 98,212 | 100,021 | 98,825 |
| Grants and contributions not restricted to specific programs | 6,638 | 7,056 | 6,505 | 6,955 | 5,667 | 6,349 | 5,418 | 5,728 | 5,846 | 7,085 |
| Unrestricted investment earnings | 257 | 108 | 54 | 30 | 40 | 67 | 42 | 79 | 561 | 1,443 |
| Other general revenues | 991 | 1,257 | 2,650 | 969 | 745 | 1,698 | 1,721 | 377 | 2,125 | 1,405 |
| Special items | | | | | | | | | | (2,891) |
| Total governmental activities | 131,589 | 133,753 | 130,578 | 125,703 | 122,848 | 115,176 | 112,137 | 104,396 | 108,553 | 105,867 |
| Changes in Net Position: | | | | | | | | | | |
| Governmental activities | \$ (24,047) | \$ (21,350) | \$ (19,252) | \$ (14,550) | \$ (6,781) | \$ (5,125) | \$ (5,886) | \$ (8,235) | \$ (13,187) | \$ (9,668) |

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 | | | | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Fund: | | | | | | | | | | |
| Reserved | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 906 | \$ 943 | \$ 867 |
| Unreserved | | | | | | | | 12,038 | 12,699 | 14,342 |
| Nonspendable | 3,652 | | | | | | | | | |
| Assigned | 549 | 961 | 583 | 626 | 1,338 | 1,257 | 668 | | | |
| Unassigned | 16,582 | 16,312 | 15,713 | 13,967 | 13,288 | 13,954 | 12,850 | | | |
| Total General Fund | \$ <u>20,783</u> | \$ <u>17,273</u> | \$ <u>16,296</u> | \$ <u>14,593</u> | \$ <u>14,626</u> | \$ <u>15,211</u> | \$ <u>13,518</u> | \$ <u>12,944</u> | \$ <u>13,642</u> | \$ <u>15,209</u> |
| All Other Governmental Funds: | | | | | | | | | | |
| Reserved | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ 11,335 | \$ 6,329 | \$ 8,090 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | | | | | | | | 1,149 | 1,187 | 441 |
| Capital projects funds | | | | | | | | 209 | (3,994) | 4,153 |
| Nonspendable | 526 | 154 | 162 | 174 | 171 | 190 | 192 | | | |
| Restricted | 1,029 | 938 | 1,078 | 726 | 613 | 1,239 | 1,678 | | | |
| Committed | 5,392 | 11,613 | 5,356 | 12,060 | 8,212 | 5,166 | 5,947 | | | |
| Unassigned | | (11,826) | (1,613) | (1,473) | (7,791) | (1,535) | (7,867) | | | |
| Total All Other Governmental Funds | \$ <u>6,947</u> | \$ <u>879</u> | \$ <u>4,983</u> | \$ <u>11,487</u> | \$ <u>1,205</u> | \$ <u>5,060</u> | \$ <u>(50)</u> | \$ <u>12,693</u> | \$ <u>3,522</u> | \$ <u>12,684</u> |

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) The government applied GASB 54 in Fiscal 2011 which accounts for the change to fund balance categories.

TOWN OF EAST HARTFORD, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
In Thousands

| | FISCAL YEAR | | | | | | | | | |
|--|-----------------|-------------------|-------------------|------------------|-------------------|-----------------|--------------------|-----------------|--------------------|------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Revenues: | | | | | | | | | | |
| General property taxes | \$ 124,038 | \$ 124,808 | \$ 122,150 | \$ 118,022 | \$ 115,890 | \$ 107,495 | \$ 103,943 | \$ 98,458 | \$ 100,745 | \$ 97,595 |
| Licenses and permits | 3,111 | 1,760 | 867 | 1,389 | 782 | 2,132 | 648 | 652 | 616 | 1,584 |
| Intergovernmental revenues | 121,928 | 100,392 | 98,700 | 94,347 | 81,970 | 82,919 | 89,271 | 80,178 | 80,566 | 97,469 |
| Charges for services | 12,644 | 12,755 | 11,480 | 11,246 | 10,564 | 10,839 | 10,060 | 8,661 | 8,327 | 8,118 |
| Investment income | 177 | 70 | 38 | 23 | 37 | 66 | 31 | 63 | 415 | 859 |
| Other | 1,101 | 1,299 | 2,695 | 1,001 | 1,490 | 2,400 | 2,135 | 777 | 1,590 | 2,651 |
| Total revenues | <u>262,999</u> | <u>241,084</u> | <u>235,930</u> | <u>226,028</u> | <u>210,733</u> | <u>205,851</u> | <u>206,088</u> | <u>188,789</u> | <u>192,259</u> | <u>208,276</u> |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 39,071 | 40,055 | 41,044 | 35,326 | 35,450 | 31,988 | 28,606 | 27,582 | 27,488 | 24,524 |
| Public safety | 30,216 | 29,318 | 29,629 | 28,168 | 26,849 | 26,491 | 26,655 | 25,199 | 24,916 | 25,274 |
| Inspections and permits | 674 | 636 | 654 | 644 | 656 | 639 | 645 | 682 | 849 | 744 |
| Public works | 11,292 | 10,488 | 10,010 | 9,778 | 8,877 | 8,548 | 9,338 | 9,151 | 10,422 | 9,540 |
| Parks and recreation | 4,722 | 3,683 | 3,652 | 3,224 | 3,135 | 3,071 | 3,627 | 3,549 | 3,551 | 3,611 |
| Health and social services | 6,382 | 6,502 | 5,848 | 5,605 | 3,186 | 2,985 | 2,900 | 2,680 | 2,707 | 3,030 |
| Education | 148,858 | 137,566 | 131,100 | 132,181 | 120,645 | 118,527 | 115,802 | 109,723 | 110,383 | 130,864 |
| Capital outlay | 19,253 | 10,570 | 12,465 | 11,885 | 8,231 | 8,916 | 23,668 | 8,391 | 14,603 | 11,206 |
| Debt service: | | | | | | | | | | |
| Principal | 8,796 | 9,335 | 9,101 | 8,747 | 8,626 | 8,005 | 7,409 | 6,235 | 7,807 | 7,032 |
| Interest | 1,536 | 1,536 | 1,536 | 1,536 | 1,536 | 1,753 | 1,753 | 3,304 | 1,970 | 1,751 |
| Total expenditures | <u>270,800</u> | <u>249,689</u> | <u>245,039</u> | <u>237,094</u> | <u>217,191</u> | <u>210,923</u> | <u>220,403</u> | <u>196,496</u> | <u>204,696</u> | <u>217,576</u> |
| Excess of Revenues Under Expenditures | <u>(7,801)</u> | <u>(8,605)</u> | <u>(9,109)</u> | <u>(11,066)</u> | <u>(6,458)</u> | <u>(5,072)</u> | <u>(14,315)</u> | <u>(7,707)</u> | <u>(12,437)</u> | <u>(9,300)</u> |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Multi-year lease purchase agreements | 862 | 5,478 | 4,308 | 2,215 | 1,900 | 813 | 2,146 | 7,400 | 1,861 | 6,175 |
| Bonds issued | 14,835 | | | 19,100 | | 16,280 | | 8,675 | | 14,000 |
| Refunding bonds | 6,225 | 6,225 | | | 12,230 | | | 8,370 | | |
| Premium on refunding bonds | 732 | 732 | | | 1,076 | 193 | | 457 | | |
| Premium on bond issuance | 1,612 | | | | | | | | | |
| Payment to refunding bond escrow agent | (6,887) | (6,887) | | | (13,188) | (5,411) | | (8,701) | | |
| Transfers in | 3,567 | 2,671 | 2,397 | 1,741 | 2,347 | 1,303 | 644 | 416 | 836 | 2,889 |
| Transfers out | (3,567) | (2,671) | (2,397) | (1,741) | (2,347) | (1,303) | (644) | (436) | (962) | (2,889) |
| Total other financing sources | <u>17,379</u> | <u>5,548</u> | <u>4,308</u> | <u>21,315</u> | <u>2,018</u> | <u>11,875</u> | <u>2,146</u> | <u>16,181</u> | <u>1,735</u> | <u>20,175</u> |
| Net Change in Fund Balances | <u>\$ 9,578</u> | <u>\$ (3,057)</u> | <u>\$ (4,801)</u> | <u>\$ 10,249</u> | <u>\$ (4,440)</u> | <u>\$ 6,803</u> | <u>\$ (12,169)</u> | <u>\$ 8,474</u> | <u>\$ (10,702)</u> | <u>\$ 10,875</u> |
| Debt Service as a % of Noncapital Expenditures | <u>3.88%</u> | <u>4.39%</u> | <u>4.42%</u> | <u>4.46%</u> | <u>4.77%</u> | <u>4.74%</u> | <u>4.44%</u> | <u>4.98%</u> | <u>5.07%</u> | <u>4.18%</u> |

Notes:

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

TABLE 5

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 mils) | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|-------------|-----------------|---------------|---------------------------|-------------|----------------|-------------------|------------------------------|--------------------------|----------------------------|------------|--------------------------------------|---------------------------------|--------------------------------|--|
| | | Residential | Industrial and Commercial | | | | | | | | | | | |
| 2017 | 2015 | \$ 1,470,788 | \$ 729,524 | \$ 24,460 | \$ 264,499 | \$ 536,879 | \$ 3,026,150 | \$ 295,768 | \$ 2,730,382 | 43.01 | 2.85 | 45.86 | \$ 3,900,546 | 70.00% |
| 2016 | 2014 | 1,471,517 | 730,914 | 25,416 | 265,734 | 503,716 | 2,997,297 | 304,264 | 2,693,033 | 42.86 | 3.00 | 45.86 | 3,847,190 | 70.00% |
| 2015 | 2013 | 1,466,809 | 744,072 | 25,082 | 261,402 | 461,197 | 2,958,562 | 266,051 | 2,692,511 | 42.34 | 3.06 | 45.40 | 3,846,444 | 70.00% |
| 2014 | 2012 | 1,465,915 | 750,497 | 25,775 | 260,188 | 431,244 | 2,933,619 | 241,911 | 2,691,708 | 40.82 | 3.08 | 43.90 | 3,845,297 | 70.00% |
| 2013 | 2011 | 1,464,763 | 747,531 | 25,689 | 269,822 | 411,994 | 2,919,799 | 224,557 | 2,695,242 | 39.72 | 3.07 | 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% |

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, 2015 | | | October 1, 2006 | | |
|-----------------------------|---------------------|------------------------|------|---|------------------------|------|---|
| | | 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 | \$ 365,472 | 1 | 13.39% | \$ 505,628 | 1 | 18.56% |
| Goodwin College | College | 113,285 | 2 | 4.15% | | | 0.00% |
| Freemont Group | Offices | 44,521 | 3 | 1.63% | 36,197 | 2 | 1.33% |
| Coca Cola Bottling Co. | Beverage Mfg/Dist. | 40,154 | 4 | 1.47% | 27,261 | 4 | 1.00% |
| Connecticut Light and Power | Utility | 34,488 | 5 | 1.26% | 20,464 | 8 | 0.75% |
| Merchant Group | Offices | 26,892 | 6 | 0.98% | 30,440 | 3 | 1.12% |
| Connecticut Natural Gas | Utility | 26,674 | 7 | 0.98% | 20,554 | 7 | 0.75% |
| Cabela's Inc. | Retail | 25,347 | 8 | 0.93% | | | 0.00% |
| Ansonia Acquisitions LLC | Apartment Buildings | 22,033 | 9 | 0.81% | 23,692 | 5 | 0.87% |
| East Hartford Founders LLC | Commercial R.E. | 13,020 | 10 | 0.48% | | | 0.00% |
| Computer Sciences | Leasing | | | 0.00% | 23,425 | 6 | 0.86% |
| Lexham East Hartford LLC | Offices | | | 0.00% | 14,948 | 9 | 0.55% |
| Woodgreen East Hartford | Apartments | | | 0.00% | 12,192 | 10 | 0.45% |
| Total | | \$ <u>711,886</u> | | <u>26.07%</u> | \$ <u>714,801</u> | | <u>26.24%</u> |

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 Mils | 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 |
| 2017 | 2015 | \$ 2,736,033 | 45.86 | \$ 123,771 | \$ 122,966 | \$ 120,381 | 97.26% | \$ | \$ 120,381 | 97.90% |
| 2016 | 2014 | 2,693,034 | 45.86 | 124,918 | 124,388 | 121,080 | 96.93% | 2,107 | 123,187 | 99.03% |
| 2015 | 2013 | 2,692,513 | 45.40 | 122,155 | 121,245 | 118,320 | 96.86% | 1,924 | 120,244 | 99.17% |
| 2014 | 2012 | 2,691,710 | 43.90 | 118,547 | 117,379 | 114,914 | 96.94% | 1,148 | 116,062 | 98.88% |
| 2013 | 2011 | 2,695,243 | 42.79 | 115,680 | 115,155 | 111,797 | 96.64% | 1,976 | 113,773 | 98.80% |
| 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% |

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

| Fiscal Year | Governmental Activities | | | | | | | | 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 Obligation Bonds | | | | | | | | | | | |
| | General Purpose | Schools | Urban Renewal | Unamortized Bond Premium | Less: School Building Grants (2) | Total Net Bonded Debt | Capital Leases | Total Primary Government | | | | |
| | | | | | | | | | | | | |
| 2017 | \$ 46,959 | \$ 436 | \$ | \$ 3,121 | \$ | \$ 50,516 | \$ 17,679 | \$ 68,195 | \$ 1,334 | 5.34% | 1.30% | \$ 988 |
| 2016 | 38,164 | 591 | | 1,052 | | 39,807 | 19,412 | 59,219 | 1,156 | 4.53% | 1.03% | 777 |
| 2015 | 44,164 | 746 | | 1,198 | | 46,108 | 16,880 | 62,988 | 1,231 | 4.81% | 1.20% | 901 |
| 2014 | 50,683 | 897 | | 1,344 | | 52,924 | 14,692 | 67,616 | 1,318 | 5.32% | 1.38% | 1,032 |
| 2013 | 37,938 | 1,052 | | 1,490 | | 40,480 | 14,505 | 54,985 | 1,073 | 4.31% | 1.05% | 790 |
| 2012 | 43,939 | 1,852 | 74 | 511 | | 46,376 | 14,503 | 60,879 | 1,180 | 4.65% | 1.05% | 899 |
| 2011 | 38,462 | 2,615 | 148 | 393 | | 41,618 | 15,306 | 56,924 | 1,111 | 5.10% | 0.94% | 812 |
| 2010 | 43,765 | 3,430 | 205 | 428 | | 47,828 | 14,545 | 62,373 | 1,279 | 5.88% | 1.08% | 981 |
| 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 |

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, 2017
In Thousands

| | | | | | |
|--|------------------------|----------------|---------------|----------------------|------------------------|
| Total tax collections, including interest and lien fees for the year ended June 30, 2017 | | | | | \$ 124,307 |
| Reimbursement for revenue loss on: | | | | | |
| Tax relief for elderly - freeze | | | | | |
| Total | | | | | \$ 124,307 |
| | General Purpose | Schools | Sewers | Urban Renewal | Pension Deficit |
| Debt Limitation: | | | | | |
| 2-1/4 times base | \$ 279,691 | \$ | \$ | \$ | \$ |
| 4-1/2 times base | | 559,382 | | | |
| 3-3/4 times base | | | 466,151 | | |
| 3-1/4 times base | | | | 403,998 | |
| 3 times base | | | | | 372,921 |
| Total debt limitation | 279,691 | 559,382 | 466,151 | 403,998 | 372,921 |
| Indebtedness: | | | | | |
| Bonds payable | 46,953 | 442 | | | |
| Bonds authorized and unissued | 31,004 | 2,016 | | | |
| Overlapping debt | | | 115,217 | | |
| Total indebtedness | 77,957 | 2,458 | 115,217 | - | - |
| Debt Limitation in Excess of Outstanding and Authorized Debt | \$ 201,734 | \$ 556,924 | \$ 350,934 | \$ 403,998 | \$ 372,921 |

Notes:

- (1) In no event shall total debt exceed seven times annual receipts from taxation \$870,149.
- (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.

TABLE 10

TOWN OF EAST HARTFORD, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
In Thousands

| | FISCAL YEAR | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Debt limitation | \$ 870,149 | \$ 874,237 | \$ 852,782 | \$ 828,359 | \$ 811,027 | \$ 747,572 | \$ 727,692 | \$ 691,145 | \$ 702,534 | \$ 685,587 |
| Total net debt applicable to limit | <u>195,632</u> | <u>175,404</u> | <u>125,881</u> | <u>141,833</u> | <u>136,287</u> | <u>112,066</u> | <u>99,841</u> | <u>87,791</u> | <u>89,575</u> | <u>68,996</u> |
| Legal Debt Margin | <u>\$ 674,517</u> | <u>\$ 698,833</u> | <u>\$ 726,901</u> | <u>\$ 686,526</u> | <u>\$ 674,740</u> | <u>\$ 635,506</u> | <u>\$ 627,851</u> | <u>\$ 603,354</u> | <u>\$ 612,959</u> | <u>\$ 616,591</u> |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | <u>22.48%</u> | <u>20.06%</u> | <u>14.76%</u> | <u>17.12%</u> | <u>16.80%</u> | <u>14.99%</u> | <u>13.72%</u> | <u>12.70%</u> | <u>12.75%</u> | <u>10.06%</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>Unamortized Bond Premiums</u> | <u>Capital Leases</u> | <u>Total Direct</u> | <u>Total Direct and Overlapping Debt</u> |
|--------------------|-----------------------------|---|---------------------------|------------------------|----------------|----------------------|----------------------------------|-----------------------|---------------------|--|
| 2017 | \$ 949,066 | 12.14 % | \$ 115,217 | \$ 46,959 | \$ 436 | \$ | \$ 3,121 | \$ 17,679 | \$ 68,195 | \$ 183,412 |
| 2016 | 914,104 | 12.23 | 111,795 | 38,164 | 591 | | 1,052 | 19,412 | 59,219 | 171,014 |
| 2015 | 601,753 | 11.99 | 72,150 | 44,164 | 746 | | 1,198 | 16,880 | 62,988 | 135,138 |
| 2014 | 650,055 | 11.65 | 75,731 | 50,683 | 897 | | 1,344 | 14,692 | 67,616 | 143,347 |
| 2013 | 559,041 | 11.39 | 63,675 | 37,938 | 1,052 | | 1,490 | 14,505 | 54,985 | 118,660 |
| 2012 | 419,411 | 11.51 | 48,274 | 43,939 | 1,852 | 74 | 511 | 14,503 | 60,879 | 109,153 |
| 2011 | 33,288 | 11.65 | 3,878 | 38,462 | 2,615 | 148 | 393 | 15,306 | 56,924 | 60,802 |
| 2010 | 206,461 | 12.13 | 25,044 | 43,765 | 3,430 | 205 | 428 | 14,545 | 62,373 | 87,417 |
| 2009 | 134,807 | 12.53 | 16,891 | 40,185 | 3,614 | 1,351 | | 9,070 | 54,220 | 71,111 |
| 2008 | 107,074 | 13.10 | 14,027 | 44,820 | 4,820 | 1,530 | | 8,996 | 60,166 | 74,193 |

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

TABLE 12

**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 |
| 2017 | 51,137 | 6,876 | 27,229 | \$ 48,369 | \$ 1,276,431 | \$ 24,961 | 4.9% | 4.1% | 4.0% | 4.1% |
| 2016 | 51,211 | 6,732 | 25,933 | 50,355 | 1,305,856 | 25,509 | 5.8% | 5.1% | 5.1% | 4.9% |
| 2015 | 51,171 | 6,880 | 25,788 | 50,400 | 1,308,852 | 25,578 | 6.5% | 5.1% | 5.1% | 4.9% |
| 2014 | 51,284 | 7,060 | 24,184 | 47,056 | 1,271,802 | 24,799 | 10.0% | 7.3% | 7.0% | 6.3% |
| 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% |

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 | 2017 | | | 2008 | | |
|----------------------------------|---------------------------------|---------------|------|-------------------------------------|---------------|------|-------------------------------------|
| | | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Pratt and Whitney Aircraft | Engine Manufacturer | 8,700 | 1 | 31.95% | 8,530 | 1 | 35.29% |
| Town of East Hartford | Municipality | 1,913 | 2 | 7.03% | 1,741 | 2 | 7.20% |
| Goodwin College | Educational Institution | 606 | 3 | 2.23% | - | | 0.00% |
| Coca Cola Bottling Company | Beverage Mfg. and Dist. | 600 | 4 | 2.20% | 650 | 4 | 2.69% |
| Riverside Health Center | Medical Care and Rehabilitation | 420 | 5 | 1.54% | 472 | 5 | 1.95% |
| Bank of America (formerly Fleet) | Banking Headquarters | 400 | 6 | 1.47% | 800 | 3 | 3.31% |
| United Technologies Research | Research Laboratory | 400 | 7 | 1.47% | 448 | 6 | 1.85% |
| Quest Global | Engineering Software | 400 | 8 | 1.47% | - | | 0.00% |
| Hoffman Auto | Automotive | 297 | 9 | 1.09% | - | | 0.00% |
| Connecticut Natural Gas | Energy Utility | 294 | 10 | 1.08% | 290 | 10 | 1.20% |
| Gengras Auto | Automotive | 255 | 11 | 0.94% | - | | 0.00% |
| Cabela's Outdoor Store | Outdoor Supplies | 250 | 12 | 0.92% | 311 | 9 | 1.29% |
| United Steel | Manufacturing | 215 | 13 | 0.79% | - | | 0.00% |
| DXC Technologies | Software Services | 165 | 14 | 0.64% | - | | 0.00% |
| InterCommunity | Healthcare | 150 | 15 | 0.55% | - | | 0.00% |
| Red Thread | Office Furniture Retailer | 137 | 16 | 0.50% | - | | 0.00% |
| CT Dept. of Info. Technology | State of Connecticut | 113 | 17 | 0.41% | 376 | 8 | 1.56% |
| Conduent | Office Equipment | 100 | 18 | 0.37% | - | | 0.00% |
| TLC Energy | Energy | - | | 0.00% | - | | 0.00% |
| Oakleaf Waste Management | Waste Management | - | | 0.00% | 403 | 7 | 1.67% |
| Total | | <u>15,415</u> | | <u>56.64%</u> | <u>14,021</u> | | <u>58.01%</u> |

Source: Town of East Hartford, Development Department

TABLE 14

TOWN OF EAST HARTFORD, CONNECTICUT
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | | | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General Government (1): | | | | | | | | | | |
| Administration | 47 | 47 | 47 | 48 | 43 | 49 | 50 | 41 | 42 | 54 |
| Police | 164 | 163 | 163 | 163 | 169 | 169 | 163 | 179 | 185 | 170 |
| Public Works | 71 | 71 | 71 | 71 | 70 | 69 | 69 | 70 | 73 | 72 |
| Inspections and Permits | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 13 | 12 |
| Civil Preparedness | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire | 133 | 133 | 133 | 133 | 133 | 132 | 131 | 132 | 133 | 130 |
| Library | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 15 | 14 |
| Parks and Recreation | 25 | 25 | 25 | 25 | 25 | 24 | 24 | 25 | 25 | 25 |
| Youth Services | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Health and Social Services | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 15 | 18 |
| Total General Government | <u>484</u> | <u>483</u> | <u>483</u> | <u>484</u> | <u>484</u> | <u>487</u> | <u>481</u> | <u>491</u> | <u>507</u> | <u>501</u> |
| Board of Education (2): | | | | | | | | | | |
| Administration and Principals | 49 | 48 | 47 | 47 | 46 | 45 | 41 | 46 | 41 | 49 |
| Teachers | 624 | 636 | 637 | 640 | 633 | 613 | 637 | 636 | 657 | 613 |
| Other | 528 | 545 | 534 | 609 | 535 | 508 | 516 | 562 | 499 | 515 |
| Total Board of Education | <u>1,201</u> | <u>1,229</u> | <u>1,218</u> | <u>1,296</u> | <u>1,214</u> | <u>1,166</u> | <u>1,194</u> | <u>1,244</u> | <u>1,197</u> | <u>1,177</u> |
| Total | <u>1,685</u> | <u>1,712</u> | <u>1,701</u> | <u>1,780</u> | <u>1,698</u> | <u>1,653</u> | <u>1,675</u> | <u>1,735</u> | <u>1,704</u> | <u>1,678</u> |

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 | | | | | | | | | |
|--|-------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General government (1): | | | | | | | | | | |
| Building permits issued | 2,452 | 2,409 | 2,370 | 2,635 | 2,561 | 2,827 | 2,544 | 947 | 2,795 | 2,518 |
| Police (2): | | | | | | | | | | |
| Physical arrests | 2,461 | 2,553 | 2,538 | 2,599 | 2,485 | 2,185 | 2,329 | 2,884 | 2,451 | 2,572 |
| Parking violations | 654 | 1,179 | 1,072 | 1,148 | 1,921 | 1,183 | 1,619 | 1,373 | 1,899 | 1,781 |
| Traffic violations | 6,385 | 7,576 | 7,864 | 7,930 | 8,155 | 6,477 | 6,362 | 3,581 | 1,751 | 2,065 |
| Fire (3): | | | | | | | | | | |
| Emergency responses | 10,402 | 10,620 | 10,317 | 10,476 | 10,164 | 10,083 | 9,781 | 9,274 | 9,321 | 9,504 |
| Fires extinguished | 203 | 220 | 141 | 137 | 151 | 185 | 193 | 118 | 131 | 160 |
| Inspections | 1,001 | 1,928 | 1,596 | 1,658 | 1,542 | 1,520 | 1,680 | 1,949 | 1,513 | 1,114 |
| Refuse collection (4): | | | | | | | | | | |
| Municipal Solid Waste collected (tons) | 14,601 | 14,500 | 14,363 | 14,862 | 14,750 | 14,775 | 14,287 | 16,129 | 16,326 | 16,982 |
| Parks and recreation (5): | | | | | | | | | | |
| Community center admissions | 37,500 | 35,000 | 36,500 | 35,500 | 35,000 | 36,500 | 46,361 | 36,817 | 27,322 | 26,368 |
| Library (6): | | | | | | | | | | |
| Volumes in collection | 77,066 | 71,996 | 121,326 | 158,622 | 198,957 | 233,761 | 212,211 | 225,780 | 214,639 | 203,575 |
| Total volumes borrowed | 75,191 | 67,968 | 89,720 | 120,169 | 133,522 | 152,876 | 153,424 | 239,669 | 142,709 | 141,942 |

Sources:

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

TABLE 16

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

| FUNCTION/PROGRAM | FISCAL YEAR | | | | | | | | | |
|-------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| General government (1): | | | | | | | | | | |
| Town buildings | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 54 | 53 |
| Public safety: | | | | | | | | | | |
| Police Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire (2): | | | | | | | | | | |
| Firefighting/rescue vehicles | 15 | 14 | 15 | 16 | 16 | 17 | 17 | 17 | 17 | 14 |
| Other vehicles | 13 | 13 | 12 | 15 | 14 | 16 | 16 | 18 | 18 | 18 |
| Fire stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Parks and recreation (3): | | | | | | | | | | |
| Parks | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 16 |
| Recreation fields and courts: | | | | | | | | | | |
| Number of basketball courts | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| 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 | 15 | 15 | 15 |
| Number of soccer fields | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Number of softball fields | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Number of tennis courts | 10 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Mowers | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Other vehicles | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Education (4): | | | | | | | | | | |
| School buildings | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 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