

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**TOWN OF EAST HAMPTON,
CONNECTICUT**

FOR THE YEAR ENDED

JUNE 30, 2017

**PREPARED BY:
THE FINANCE DEPARTMENT**

JEFFERY M. JYLKKA, FINANCE DIRECTOR

Town of East Hampton, Connecticut

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Introductory Section

Town of East Hampton, Connecticut

List of Principal Officials
June 30, 2017

TOWN COUNCIL

Patience Anderson, Chairperson
Ted Hintz, Jr., Vice Chairman
Pete Brown
Melissa Engel
Mark Philhower
Josh Piteo
Kevin Reich

BOARD OF FINANCE

Marc Lambert, Chairman
Janine Jiantonio, Vice Chairperson
Alannah Coshow
Alan Hurst
Dean Markham
Steve Ritchie
Michael Rose

BOARD OF EDUCATION

Christopher Goff, Chairman
Joanne Barmasse, Vice Chairperson
Erika Bonaccorso
Jarod Bushey
Jeff Carlson
Debra Devin
Tania Sones
Lois Villa
Carol Williams

Superintendent of Schools

Paul K. Smith

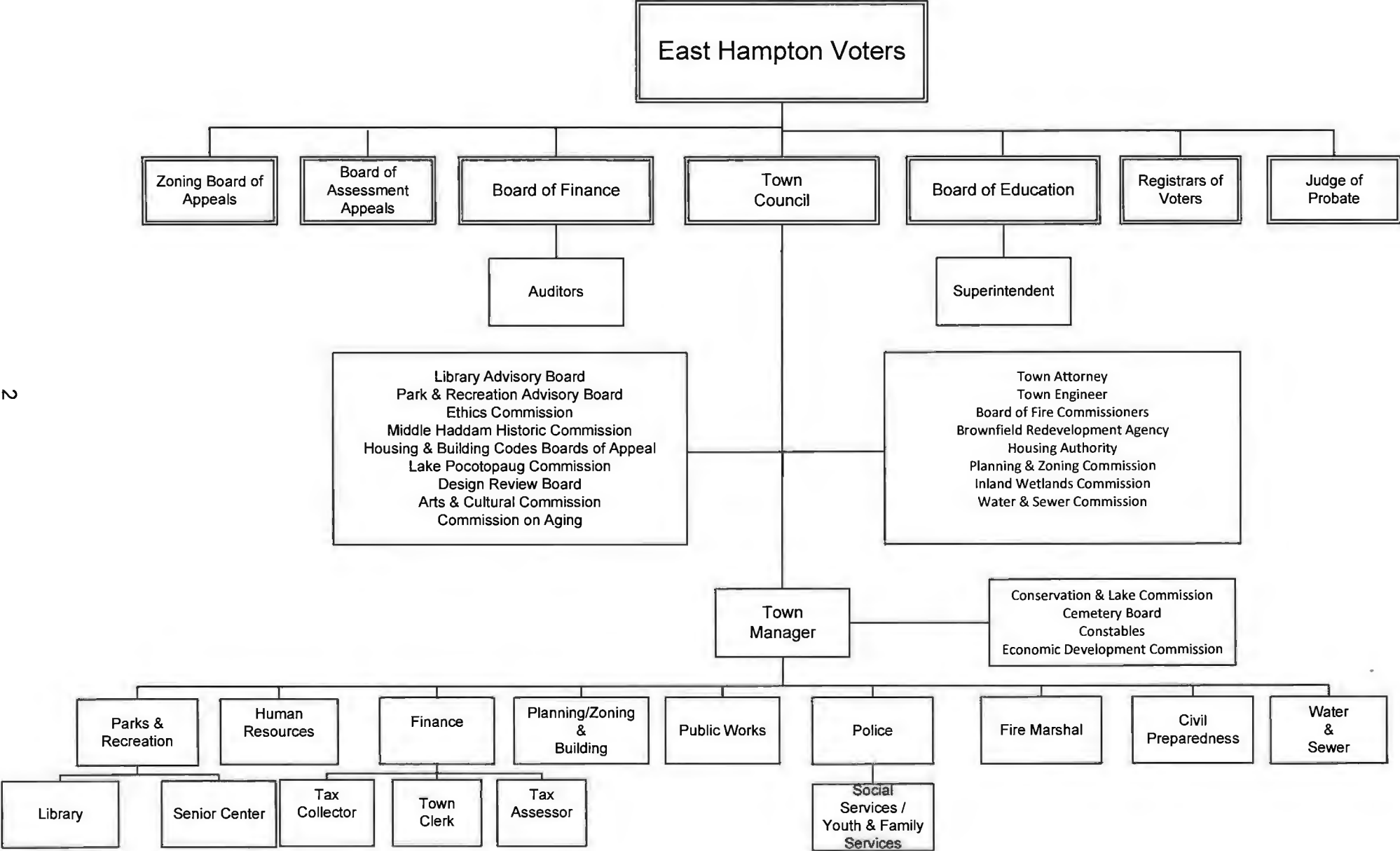
EAST HAMPTON ADMINISTRATIVE OFFICIALS

Michael Maniscalco, Town Manager

Library Director
Planning and Zoning Administrator
Building Administrator
Police Chief
Senior Center Director
Director of Finance
Fire Marshal
Director of Parks & Recreation
Director of Youth & Family Services
Public Works Superintendent
Public Utilities Administrator
Fire Chief
Town Clerk

Ellen Paul
Jeremy DeCarli
Glen LeConche
Sean Cox
Jo Ann H. Ewing
Jeffery M. Jylkka
Rich Klotzbier
Jeremy Hall
Jodi Brazal
Dean Michelson
Tim Smith
Greg Voelker
Sandra M. Wieleba

Town of East Hampton, Connecticut
Organizational Chart





TOWN OF EAST HAMPTON
20 EAST HIGH STREET
EAST HAMPTON, CT 06424

Office of the FINANCE DIRECTOR

JEFFERY JYLKKA, CPA

jjylkka@easthamptonct.gov

December 19, 2017

To the Town Manager, Members of the Town Council, Members of the Board of Finance and Citizens of the Town of East Hampton, Connecticut.

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the Town of East Hampton for the year ended June 30, 2017. The report includes the independent auditors' report as required by Connecticut Statutes. The report is prepared in conformity with generally accepted accounting principles (GAAP) and standards set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. Management of the Town is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the calculation of costs and benefits requires estimates and judgments by management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

PKF O'Connor Davies LLP, a public accounting firm fully licensed and qualified to perform audits of municipalities within the State of Connecticut, has audited the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of East Hampton, Connecticut for the fiscal year ended June 30, 2017, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of East Hampton's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the Town's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the independent auditor's report.

Profile of the Town of East Hampton

The Town covers an area of 36.8 square miles in east central Connecticut and is on the east bank of the Connecticut River, approximately 21 miles south of Hartford. East Hampton's topography is dominated by numerous hills interspersed with winding stream valleys and level wetland areas. The Town is traversed by State Routes 16, 66, 151, and 196. Route 66 provides access to Route 2 and Hartford as well as Middletown. There are approximately 91 miles of Town roads. The State maintains approximately 35 miles of highway in East Hampton. The 2017 population was 12,869. The Town was originally settled in 1710.

The Town of East Hampton has a Council-Manager form of government with a Town Council consisting of seven elected members serving concurrent two-year terms and a Board of Finance consisting of seven elected regular members serving overlapping four-year terms. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes and a Charter which was adopted in 1971, effective 1973 and revised in 1987 and 2016. The legislative power of the Town is vested with the Town Council and the Town Meeting, which must approve the annual budget, all special appropriations or expenditures, and all bond and note authorizations. The Town Manager is the chief executive officer and chief administrative officer of the Town and is responsible for the administration of all Town matters with the exception of the education system.

The financial administrator of the Town is the Director of Finance. The Director of Finance serves as Treasurer for the Town and Board of Education and is responsible for the operation and supervision of the Department of Finance. The Director of Finance has full supervisory responsibilities for the keeping of accounts and financial records; the receipt of operating and other revenues; the custody and disbursement of Town and Board of Education funds and money; the control over expenditures and budget functions. The Collector of Revenue, Assessor and Town Clerk work under the supervision of the Director of Finance. The Assessor's Office is responsible for determining equitable property values for real estate, motor vehicle, and personal property as of October 1st for the purpose of taxation. The Tax Collector's Office bills, collects, processes and deposits taxes, interest and fees on all taxable property in the Town.

The annual budget serves as the foundation for the Town's financial planning and control. The Town maintains budgetary controls with the objectives to ensure compliance with legal provisions embodied in the annual appropriated budget, approved by the budget referendum. The Town maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. As demonstrated by the budgetary schedules included in the financial section of this report, the Town continues to meet its responsibility for sound financial management. In addition to budgetary schedules, Exhibit L (II) A in the Notes to Financial Statements describes the budget process used by the Town.

Local Economy and Major Initiatives

East Hampton is a residential community with a light industrial tax base and limited seasonal resorts. Principal industries include manufacture of bells, pharmaceuticals, tools and dies, and forestry. East Hampton has been fortunate that foreclosure rates are below regional, state and national levels. Unemployment rates have decreased from 5.0% to 4.3% and are slightly lower than the national average of 4.4% and below regional and state levels. East Hampton's existing development has occurred primarily on the major roadways, Routes 16, 151, and particularly, Route 66.

Principal non-residential development has occurred in three historic centers – Cobalt, Middle Haddam, and East Hampton Center. High-density residential development is concentrated around East Hampton Center and Lake Pocotopaug. Approximately 720 acres remain as active farmland, mostly as field crops.

The \$51,695,000 High School renovation project that was approved by the voters on June 4, 2013 and broke ground in November 2014 is substantially complete and on budget. The Fire Department took delivery of a new ladder truck and the Public Works Department acquired a dump truck financed with a tax-exempt capital lease. The Water Pollution Control Authority completed a \$1,568,518 sludge thickener improvement project. The Christopher Brook culvert replacement rehabilitation project is substantially complete. Funding for the \$1,100,000 project came from federal and state grants along with bond funds and local tax dollars. Eight Town and school buildings have been converted from oil-fired boilers to natural gas. The project began last fiscal year with a cost of \$1,011,058. The project was financed primarily with a tax-exempt lease (\$886,500); the remaining balance was paid for out of the Capital Reserve Fund.

Residential housing values throughout the Town have increased slightly compared to a year ago. Building permits for residential and commercial development have increased compared to last year.

The Town of East Hampton is well positioned to accept and meet the challenges posed by the 21st century. The Town has a moderate debt burden, which is planned for quick retirement; and its pension plans remain at relatively high funding levels. Conservative budgeting practices has enabled the Town to maintain its unassigned fund balance, which represents 12.3% of general fund expenditures and transfers out. These facts are echoed within the municipal credit industry. The Town is rated “AAA” from Standard & Poor's Ratings Services.

In 2016, the Town Council created the Town Hall and Police Department Building Committee. This was done after the Council determined a continued effort to renovate Center School as a municipal facility was too costly. Simultaneously, with the creation of the Building Committee, the Council released a request for proposal (RFP) seeking property(s) for municipal facilities. During fiscal year 2017 the Town Council selected a location off Route 66 for the new facility. On November 7, 2017, voters approved the \$18,981,000 project. The project is expected to be complete by December 2019, and will be financed with bond funds.

At a Town meeting held February 6, 2017, voters approved a \$475,000 project to construct a fuel island and underground tank removal project. The project is expected to begin in December 2017.

Long-Term Financial Planning

The Town through its Capital Committee prepares a five-year capital improvement plan for the acquisition, new construction, and repair and replacement of municipal facilities and equipment. The purpose of this plan is to maintain the Town's infrastructure and make improvements to and/or add community facilities to enhance the Town's overall image and services it provides to Town residents.

In December 2016, the Town issued \$7,000,000 of bond anticipation notes (due September 2017) to provide temporary financing for the High School renovation project. In September 2017 the town issued \$7,105,000 of general obligation bonds to permanently finance the High School renovation (\$6,700,000) and road improvement projects (\$405,000) and issued an additional \$1,675,000 of notes for the High School project (\$1,200,000) and the fuel Island project (\$475,000). The first debt payments will begin in fiscal year 2018.

Relevant Financial Policies

The Town's financial policies have been applied consistently with the prior year and had no notable current year effect on the financial statements. A use of fund balance policy was established by the Board of Finance and Town Council, the overall purpose was to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time emergency expenditures. The fund balance policy goal is to maintain General Fund unassigned fund balance between 8-10% of budgeted operating expenditures.

The Town also approved a capital improvement and debt policy to establish parameters and guidance for the Board of Finance and Town Council to make decisions on capital spending and issuance of debt as a means to fund them.

There were no developments at the State level that impacted the current year financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, which was the sixth award the Town has received. To be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both GAAP and applicable legal requirements.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and the support of the Town Manager. Each member has my sincere appreciation for their contributions made in the preparation of this report. I would also like to recognize my Assistant Finance Director, Valerie Hyde, CPA, who provided service above and beyond expectations and at the highest level of professionalism. I also appreciate the professional service and assistance rendered by PKF O'Connor Davies LLP.

This comprehensive annual financial report reflects a commitment to the citizens of East Hampton, the Town Council, the Board of Finance, and all concerned readers of this report, to provide information in conformance with the highest standards of financial accountability.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeff Jylkka". The signature is fluid and cursive, with the first name "Jeff" and last name "Jylkka" clearly distinguishable.

Jeffery M. Jylkka, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**Town of East Hampton
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Financial Section

Independent Auditors' Report

**Board of Finance
Town of East Hampton, 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 Hampton, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 Hampton, Connecticut, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit plan schedules on pages 11 to 20 and pages 69 to 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the Town of East Hampton, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of East Hampton, Connecticut's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
December 19, 2017



TOWN OF EAST HAMPTON

20 East High Street
East Hampton, CT 06424

Michael Maniscalco

Town Manager
860.267.4468

Jeffery M. Jylkka

Finance Director
860.267.7548

Management's Discussion and Analysis For the Year Ended June 30, 2017

As management of the Town of East Hampton, we offer readers of the Town of East Hampton's financial statements this narrative overview and analysis of the financial activities of the Town of East Hampton for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$94,849,900 (*net position*). Of this amount, \$1,216,719 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$2,544,003. The increase is due substantially to capital assets additions in excess of depreciation expense net of long-term debt principal payments and an increase in pension expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,631,896, an increase of \$60,676 in comparison with the prior year. This slight increase is a result of the positive operations of the general fund, capital initiative fund and nonmajor funds off set by the decrease in fund balance for the capital reserve fund of \$1,650,386 net change. The capital reserve fund deficit was due to timing expenditures incurred and when the projects are funded.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,263,469, an increase of \$304,074 in comparison with the prior year. This fund balance represents 12.3% of total budgetary general fund expenditures and transfers out.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of East Hampton's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information about the Town as a whole and about its activities in a way that helps answer this question.

Management's Discussion and Analysis (continued)

These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

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

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

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

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

Management's Discussion and Analysis (continued)

For governmental funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital initiatives fund and capital reserve fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in Schedules 5 and 6 in this report.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary fund. The Town maintains two proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its self-insured dental benefits and Board of Education retiree medical benefits. Because these services predominantly benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The data for the internal service funds is provided in Exhibits G, H and I of this report.

Fiduciary funds. The Town is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position (Exhibits J and K). We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's net pension liability and the progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in Schedules 5 and 6 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's combined net position increased by 2.8% from a year ago – increasing from \$92,305,897 to \$94,849,900.

By far the largest portion of the Town's net position (97.4%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 19,131,927	\$ 25,410,130
Capital assets, net	<u>127,480,848</u>	<u>118,974,018</u>
Total assets	<u>146,612,775</u>	<u>144,384,148</u>
Deferred outflows of resources	<u>1,843,268</u>	<u>3,644,292</u>
Long-term liabilities outstanding	46,252,501	42,117,410
Other liabilities	<u>7,353,642</u>	<u>13,605,133</u>
Total liabilities	<u>53,606,143</u>	<u>55,722,543</u>
Net investment in capital assets	92,409,066	84,059,272
Restricted	1,224,115	824,233
Unrestricted	<u>1,216,719</u>	<u>7,422,392</u>
Total net position	<u>\$ 94,849,900</u>	<u>\$ 92,305,897</u>

A portion of the Town's net position (1.29%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (1.28%) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$2,544,003. Key elements of this increase are as follows:

- Capital assets additions in excess of depreciation and disposal totaled \$8,506,830.
- Reduced by net debt related activity of \$4,913,971
- Further reduced by pension expense of \$1,223,512.

Statement of Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 4,150,167	\$ 4,032,398
Operating grants and contributions	15,417,882	13,052,314
Capital grants and contributions	6,608,161	10,431,742
General revenues:		
Property taxes	33,287,819	32,164,130
Grants and contributions not restricted to specific programs	410,559	152,200
Investment income	70,147	102,101
Other	26,682	27,402
Total revenues	59,971,417	59,962,287
Expenses:		
General government	3,548,663	3,257,116
Public safety	3,801,189	3,391,168
Civic and human services	665,153	509,796
Public works and utilities	6,005,994	6,207,110
Education	40,207,125	34,928,883
Regulatory	477,104	567,332
Culture and recreation	1,930,354	1,729,557
Interest	791,832	611,498
Total expenses	57,427,414	51,202,460
Change in net position	2,544,003	8,759,827
Net position - July 1	92,305,897	83,546,070
Net position - June 30	\$ 94,849,900	\$ 92,305,897

Significant changes in revenues and expenses as compared to the prior year are as follows:

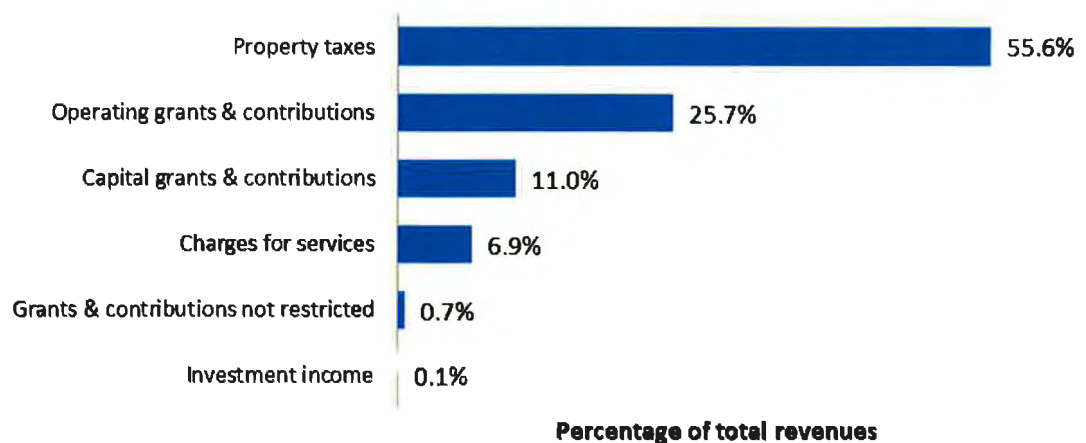
Revenues:

- The \$1,123,689 increase in property taxes was due to increase in the budget and, therefore, the related tax levy.
- Operating grants and contributions increased by \$2,365,568 substantially due to an increase in the State Teachers' Retirement on-behalf amount and education grants as compared to the prior year.
- Capital grants and contributions decreased by \$3,823,581 substantially due to the receipt of the State of Connecticut school construction grant during the prior year for the High School renovation project.

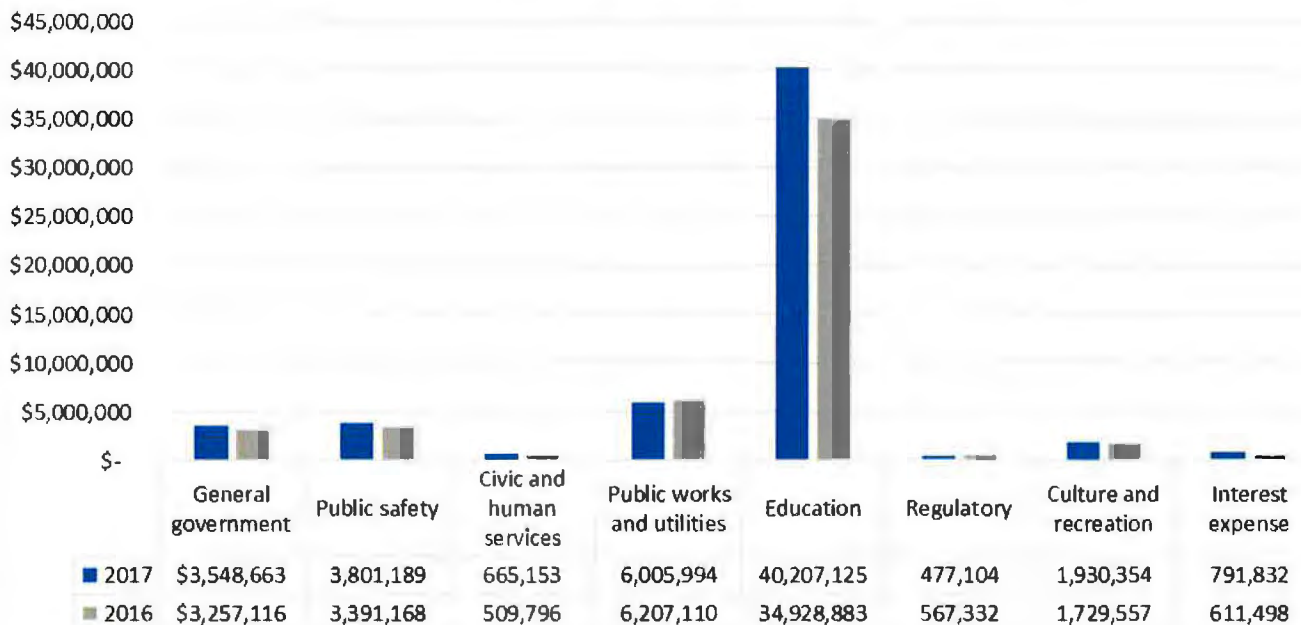
Expenses:

- General government expenses increased by \$291,547 due to an increase in pension expense and other employee benefits.
- Education expenses increased by \$5,278,242 primarily as a result of the increase in the budget and an increase in the retirement plan contributions made by the State on-behalf of the Town's teachers.
- Interest expenses increased by \$180,334 due to bonds issued in the prior year and related scheduled interest payments.
- Culture & Recreation expenses increased by \$200,797 primarily as a result of an increase in expenses relating to the Airline Trail extension project.
- Civic and human services expenses increased by \$155,357 due to an increase in pension expense and operating costs associated with a new addiction prevention grant.

Revenue by Source - Governmental Activities



Expenses by Function - Governmental Activities



Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,631,896. \$6,387,440 is not available for new spending because it has already been classified as 1) nonspendable (\$15,500) for the library endowment, 2) restricted (\$1,208,615), and 3) committed (\$5,163,325).

The total fund balance increased from \$11,571,220 to \$11,631,896. This slight increase is a result of the positive operations of the general fund, capital initiative fund and nonmajor funds off set by the decrease in fund balance for the capital reserve fund of \$1,650,386 net change. The capital reserve fund deficit was due to timing expenditures incurred and when the projects are financed.

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,263,469. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.3% of total general fund expenditures and transfers out.

Capital Initiatives Fund. This fund accounts for financial resources to be used for the acquisition of major equipment or construction of facilities. The capital initiatives fund's revenues and other financing sources exceeded its expenditures and other financing uses by \$1,028,915 substantially as a result of the issuance of debt for \$6,700,000.

Capital Reserve Fund. This fund accounts for financial resources to be used for capital and non-recurring projects. The primary source of funding is an annual appropriation from the general fund. The capital reserve fund's expenditures exceed its revenues and transfers by \$1,650,386 as a result of timing of funding and capital purchases.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$159,974. The increase in budget is due to use of fund balance to fund the following items:

- \$85,000 for the purchase of land (DiDomizio property)
- \$54,974 to hire an additional police officer (mid-year hire)
- \$20,000 for costs associated with the Town's 250th anniversary celebration

Significant budget transfers made during the year were as follows:

- The community center building repair account received transfers of \$37,550 from the employee benefits account which accounts for costs associated with well and HVAC system repairs.
- The legal account received transfers of \$30,330 from the employee benefits account for costs associated with legal fees for the new town hall / police department project.

Capital Assets and Debt Administration

Capital assets. At year end, the Town of East Hampton's capital assets totaled \$127,480,848, net of accumulated depreciation. This includes land, buildings, land improvements, machinery and equipment, roads, bridges, intangible assets and construction in progress. The increase in the Town's capital assets for the current fiscal year was \$8,506,830 or (7.2%). This increase is largely due to the increase in construction in progress, primarily for the High School renovation project of \$11,234,451 offset by retirement of the prior renovations totaling \$6,388,074, fire truck of \$805,017 and sludge thickener improvement project of \$1,568,518.

Major capital asset events during the current fiscal year included the following:

- Machinery and equipment additions of \$5,161,113, which included the following:
 - Education technology hardware (\$753,484)
 - Education furniture (\$1,039,642)
 - Town building natural gas boiler upgrades (\$534,598)
 - Rotary drum thickener (\$1,568,518)
 - Pierce Ascendant fire truck (\$805,017)
 - Public Works dump truck (\$172,349)

Capital Assets
(Net of Accumulated Depreciation)

	2017	2016
Land	\$ 2,635,182	\$ 2,487,362
Intangible assets	705,300	708,950
Construction in progress	50,776,882	43,647,438
Buildings	25,784,820	29,461,456
Improvements other than buildings	139,335	145,941
Machinery and equipment	8,939,593	4,539,393
Infrastructure	38,499,736	37,983,478
Total	\$ 127,480,848	\$ 118,974,018

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

Long-term debt. At the end of the current fiscal year, the Town had total long-term debt of \$33,848,804, an increase of \$4,910,675 as compared to the prior year. The increase is primarily due to the permanent financing of \$6,700,000 of bond anticipation notes. All debt is backed by the full faith and credit of the Town.

Outstanding Debt
Long-Term Obligations

	2017	2016
General obligation bonds	\$26,010,000	\$ 27,715,000
Bond anticipation notes	6,700,000	-
Clean water notes	130,260	157,650
Bond premium	1,008,544	1,065,479
Total	\$33,848,804	\$ 28,938,129

The Town maintains a bond rating of "AAA" from Standard and Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees. The current debt limitation for the Town is \$235,251,737, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 4.3%. This is lower than both the state's average unemployment rate of 5.0% and the Hartford Labor Market rate of 5.2%. The Town is slightly below the national average of 4.4%.
- According to the Bureau of Census American Community Survey 5-Year Estimates, 2012-2016, per capita income in East Hampton was \$45,836 compared to Middlesex County (\$42,537) and the State (\$39,906). Median family income was \$113,389 versus \$102,512 for the county and \$91,274 for the State. The percent of families below poverty level was 2.4% for the Town. The county percentage was 4.4% and the State's was 7.3%.
- The net taxable grand list for fiscal year 2018 increased approximately 0.4%. This increase was primarily driven by new motor vehicles and personal property.
- Funding for formulary grants from the State of Connecticut continues to decline. Since 2008 the percent of total general fund revenue from state grants has dropped from 25.9% to 20%. This downward trend has been factored into our intergovernmental revenue estimates.
- The total number of building permits for fiscal year 2017 increased from 1,248 to 1,346 or 7.9% over last fiscal year. The increase in permits issued is a positive sign and as a result our revenue estimates have been adjusted upward accordingly.
- Debt service payments have increased by \$48,218 compared to 2016-2017. This increase is primarily due to capital lease payments for education technology equipment.
- To lessen the overall tax impact, \$104,608 was budgeted to be transferred from the Capital Reserve Fund (mill rate stabilization account) to the General Fund.

All of these factors were considered in preparing the Town's budget for the 2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, Town of East Hampton, 20 East High Street, East Hampton, CT 06424.

Basic Financial Statements

Town of East Hampton, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2017

<u>Assets</u>	
Current assets:	
Cash	\$ 15,521,147
Investments	27,109
Receivables:	
Property taxes	565,682
Assessments	228,784
Intergovernmental	463,519
Other	337,337
Other assets	<u>17,217</u>
Total current assets	<u>17,160,795</u>
Noncurrent assets:	
Restricted assets:	
Temporarily restricted investments	1,381
Permanently restricted investments	<u>15,500</u>
Total restricted assets	<u>16,881</u>
Receivables (net):	
Property taxes	1,503,088
Assessments	269,506
Loans	<u>181,657</u>
Total receivables (net)	<u>1,954,251</u>
Capital assets (net of accumulated depreciation and amortization)	
Land	2,635,182
Intangible assets (net)	705,300
Construction in progress	50,776,882
Buildings	25,784,820
Improvements other than buildings	139,335
Machinery and equipment	8,939,593
Infrastructure	<u>38,499,736</u>
Total capital assets (net of accumulated depreciation and amortization)	<u>127,480,848</u>
Total noncurrent assets	<u>129,451,980</u>
Total assets	<u>146,612,775</u>

Deferred Outflows of Resources

Pension related (differences between assumptions used and actual experience)	<u>1,843,268</u>
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(Continued)

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2017

<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other payables	\$ 3,857,115
Accrued liabilities	165,054
Accrued payroll	145,691
Accrued interest payable	378,230
Unearned revenue	217,578
Bond anticipation notes	300,000
Bonds and notes payable	1,732,943
Capital lease payable	222,059
Compensated absences	134,972
Environmental obligation	200,000
	<hr/>
Total current liabilities	7,353,642
	<hr/>
Noncurrent liabilities:	
Bonds, notes and related liabilities	32,115,861
Capital lease payable	700,919
Compensated absences	1,155,615
Net pension liability	9,876,135
Net OPEB obligation	2,203,971
Environmental obligation	200,000
	<hr/>
Total noncurrent liabilities	46,252,501
	<hr/>
Total liabilities	53,606,143
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	92,409,066
Restricted for:	
Endowments:	
Expendable	1,381
Nonexpendable	15,500
Public works	1,101,352
Education	105,882
Unrestricted	1,216,719
	<hr/>
Total net position	\$ 94,849,900
	<hr/>

(Concluded)

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Activities
Governmental Activities
For The Year Ended June 30, 2017

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Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 3,548,663	\$ 378,462	\$ 229,355	\$ -	\$ (2,940,846)
Public safety	3,801,189	156,255	-	-	(3,644,934)
Civic and human services	665,153	1,800	15,595	-	(647,758)
Public works and utilities	6,005,994	2,591,122	386,417	117,500	(2,910,955)
Education	40,207,125	578,751	14,447,836	6,490,661	(18,689,877)
Regulatory	477,104	185,851	-	-	(291,253)
Culture and recreation	1,930,354	257,926	338,679	-	(1,333,749)
Interest expense	791,832	-	-	-	(791,832)
Total	\$ 57,427,414	\$ 4,150,167	\$ 15,417,882	\$ 6,608,161	\$ (31,251,204)
General Revenues:					
Property taxes				\$	33,287,819
Grants and contributions not restricted to specific programs					410,559
Investment income					70,147
Miscellaneous					26,682
Total general revenues					33,795,207
Change in net position					2,544,003
Net position - July 1, 2016					92,305,897
Net position - June 30, 2017				\$	94,849,900

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
<u>Assets</u>					
Cash	\$ 7,229,121	\$ 4,162,144	\$ -	\$ 4,129,882	\$ 15,521,147
Investments	27,109	-	-	16,881	43,990
Receivables:					
Property taxes	1,584,117	-	-	-	1,584,117
Assessments and use charges	-	-	-	395,058	395,058
Intergovernmental	2,867	267,347	-	193,305	463,519
Loans	-	-	-	208,857	208,857
Other	14,957	-	-	322,380	337,337
Due from other funds	551,935	79,384	1,395,899	260,091	2,287,309
Other	10,238	-	-	6,979	17,217
Total assets	\$ 9,420,344	\$ 4,508,875	\$ 1,395,899	\$ 5,533,433	\$ 20,858,551
<u>Liabilities</u>					
Accounts and other payables	\$ 908,318	\$ 2,737,494	\$ 39,807	\$ 168,746	\$ 3,854,365
Accrued liabilities	122,780	42,274	-	-	165,054
Accrued payroll	145,691	-	-	-	145,691
Bond anticipation notes payable	-	300,000	-	-	300,000
Due to other funds	1,516,127	426,254	79,384	475,437	2,497,202
Unearned revenue	-	-	-	217,578	217,578
Total liabilities	2,692,916	3,506,022	119,191	861,761	7,179,890
<u>Deferred Inflows of Resources</u>					
Unavailable revenues:					
Property taxes	1,463,959	-	-	-	1,463,959
Water charges	-	-	-	18,349	18,349
Loans	-	-	-	208,857	208,857
Sewer assessment and use charges	-	-	-	355,600	355,600
Total deferred inflows of resources	1,463,959	-	-	582,806	2,046,765
<u>Fund Balances</u>					
Nonspendable	-	-	-	15,500	15,500
Restricted	-	-	-	1,208,615	1,208,615
Committed	-	1,002,853	1,276,708	2,883,764	5,163,325
Unassigned	5,263,469	-	-	(19,013)	5,244,456
Total fund balances	5,263,469	1,002,853	1,276,708	4,088,866	11,631,896
Total liabilities, deferred inflows of resources and fund balances	\$ 9,420,344	\$ 4,508,875	\$ 1,395,899	\$ 5,533,433	\$ 20,858,551

(Continued)

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2017

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, page 1)	\$	11,631,896
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	118,974,018
Current capital asset additions (net of construction in progress decreases)	13,466,076
Donated assets	153,880
Depreciation expense	(2,176,631)
Disposal and sale of capital assets	(2,936,495)

Other long-term assets and deferred outflows are not available resources and, therefore, are not reported in the funds:

Property tax and sewer assessment interest and lien accrual	828,004
Allowance for doubtful accounts	(267,319)
Deferred outflows related to pensions	1,843,268

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

Property tax, water charges, sewer assessment, and loans receivable - accrual basis change	2,046,765
--	-----------

Internal service funds are used by management to charge the cost of insurance premiums and benefits to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	207,143
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Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(32,840,260)
Premiums	(1,008,544)
Capital lease	(922,978)
Compensated absences	(1,290,587)
Net pension liability	(9,876,135)
Net OPEB obligation	(2,203,971)
Environmental obligation	(400,000)
Accrued interest payable	(378,230)

Net position of governmental activities (Exhibit A)	\$	<u>94,849,900</u>
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(Concluded)

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For The Year Ended June 30, 2017

	General	Capital Initiatives	Capital Reserve	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 33,583,829	\$ -	\$ -	\$ -	\$ 33,583,829
Intergovernmental	13,949,064	6,444,131	-	1,715,773	22,108,968
Charges for services	588,646	-	5,655	3,558,527	4,152,828
Income from investments	22,170	27,127	7,048	13,802	70,147
Contributions and donations	-	-	-	173,754	173,754
Miscellaneous	17,168	-	-	9,514	26,682
Total revenues	48,160,877	6,471,258	12,703	5,471,370	60,116,208
Expenditures:					
Current:					
General government	3,942,549	68,940	401,146	286,222	4,698,857
Public safety	2,365,602	-	408,204	143,890	2,917,696
Public works and utilities	2,020,216	904,206	1,091,672	1,889,913	5,906,007
Culture and recreation	997,791	-	-	602,113	1,599,904
Civic and human services	400,835	-	66,226	94,370	561,431
Regulatory	323,558	-	-	-	323,558
Education	34,672,028	-	110,739	1,960,441	36,743,208
Debt service	2,736,976	114,199	-	30,293	2,881,468
Capital outlay	-	11,182,998	-	143,555	11,326,553
Total expenditures	47,459,555	12,270,343	2,077,987	5,150,797	66,958,682
Excess (deficiency) of revenues over expenditures	701,322	(5,799,085)	(2,065,284)	320,573	(6,842,474)
Other financing sources (uses):					
Issuance of debt	-	6,700,000	-	-	6,700,000
Capital lease proceeds	-	-	172,349	-	172,349
Transfers in	430,801	128,000	770,549	57,500	1,386,850
Transfers out	(828,049)	-	(528,000)	-	(1,356,049)
Total other financing sources (uses)	(397,248)	6,828,000	414,898	57,500	6,903,150
Net change in fund balances	304,074	1,028,915	(1,650,386)	378,073	60,676
Fund balances - July 1, 2016	4,959,395	(26,062)	2,927,094	3,710,793	11,571,220
Fund balances - June 30, 2017	\$ 5,263,469	\$ 1,002,853	\$ 1,276,708	\$ 4,088,866	\$ 11,631,896

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2017

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are due to:

Net change in fund balances - Total Governmental Funds (Exhibit D)	\$ <u>60,676</u>
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	13,466,076
Depreciation expense	<u>(2,176,631)</u>
Total	<u>11,289,445</u>

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net position. In the Statement of Activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

Donated Assets	153,880
Disposal of capital assets	<u>(2,936,495)</u>
Total	<u>(2,782,615)</u>

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 Fund Financial Statements are not recognized in the statement of activities:

Change in property tax, water charges, sewer assessment, and community development block grant receivable - accrual basis change	(225,947)
Change in property tax and sewer assessment interest and lien revenue	6,276
Change in property tax and sewer assessment allowance for doubtful accounts	<u>(79,000)</u>
Total	<u>(298,671)</u>

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

Debt issued or incurred:	
General obligation bonds and notes	(6,700,000)
Capital leases	(172,349)
Principal repayments:	
General obligation bonds and notes	1,732,390
Capital lease	<u>225,988</u>
Total	<u>(4,913,971)</u>

(Continued)

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2017**

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

Amortization of bond premium	\$ 56,935
Early retirement incentive	35,960
Compensated absences	44,794
Net OPEB obligation	(109,022)
Pension expense	(1,223,512)
Accrued interest payable	74,323
Environmental obligation	<u>350,000</u>
Total	<u>(770,522)</u>
Internal Service Funds are used by management to charge costs of various self-insured risk premiums to individual departments	<u>(40,339)</u>
Change in net position (Exhibit B)	\$ <u><u>2,544,003</u></u>
	(Concluded)

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 33,432,205	\$ 33,432,205	\$ 33,583,829	\$ 151,624
Intergovernmental	8,393,644	8,393,644	8,333,264	(60,380)
Charges for services	531,381	531,381	588,646	57,265
Investment income	22,500	22,500	22,170	(330)
Miscellaneous	11,900	11,900	17,168	5,268
Total revenues	42,391,630	42,391,630	42,545,077	153,447
Expenditures:				
Current:				
General government	3,724,144	4,079,665	3,942,549	137,116
Public safety	2,507,339	2,390,127	2,365,602	24,525
Public works	2,238,320	2,115,864	2,020,216	95,648
Regulatory	362,902	326,520	323,558	2,962
Health and human services	422,844	407,658	400,835	6,823
Culture and recreation	1,013,624	1,004,313	997,791	6,522
Education	29,058,285	29,058,285	29,056,228	2,057
Debt service	2,741,123	2,741,123	2,736,976	4,147
Total expenditures	42,068,581	42,123,555	41,843,755	279,800
Excess (deficiency) of revenues over expenditures	323,049	268,075	701,322	433,247
Other financing sources (uses):				
Appropriation of fund balance	-	159,974	-	(159,974)
Transfers in	400,000	400,000	430,801	30,801
Transfers out	(723,049)	(828,049)	(828,049)	-
Net other financing sources (uses)	(323,049)	(268,075)	(397,248)	(129,173)
Net change in fund balance	\$ -	\$ -	304,074	\$ 304,074
Fund balance - July 1, 2016			4,959,395	
Fund balance - June 30, 2017			\$ 5,263,469	

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2017

	Internal Service Funds
<hr/>	
<u>Assets</u>	
Current assets:	
Due from other funds	<u>\$ 207,143</u>
<u>Net Position</u>	
Unrestricted	<u>\$ 207,143</u>

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended June 30, 2017

	Internal Service Funds
Operating expenses:	
Claims	\$ 8,538
Administration	<u>1,000</u>
Total operating expenses	<u>9,538</u>
Income (loss) before transfers	(9,538)
Transfers:	
Transfers out	<u>(30,801)</u>
Change in net position	(40,339)
Total net position - July 1, 2016	<u>247,482</u>
Total net position - June 30, 2017	<u><u>\$ 207,143</u></u>

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Cash Flows
 Proprietary Funds
 For The Year Ended June 30, 2017

	Internal Service Funds
Cash flows from operating activities:	
Cash received for charges for services	\$ 139
Cash paid for benefits and claims	(46,152)
Cash paid for administration	(10,643)
	<u>(56,656)</u>
Net cash provided by (used in) operating activities and Net increase (decrease) in cash	<u>(56,656)</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	10,643
Transfers to other funds	(41,444)
	<u>(30,801)</u>
Net cash provided by (used in) noncapital financing activities and Net increase (decrease) in cash	<u>(30,801)</u>
Net increase (decrease) in cash	(87,457)
Cash - July 1, 2016	<u>87,457</u>
Cash - June 30, 2017	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (9,538)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	(9,504)
Increase (decrease) in:	
Claims payable	(37,614)
	<u>(47,118)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (56,656)</u></u>

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For The Year Ended June 30, 2017

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 1,026,712
Plan members	398,344
	<hr/>
Total contributions	1,425,056
	<hr/>
Investment income (loss):	
Net change in fair value of investments	2,398,993
Interest and dividends	751,051
	<hr/>
Total investment income (loss)	3,150,044
	<hr/>
Less investment expenses	(22,277)
	<hr/>
Net investment income (loss)	3,127,767
	<hr/>
Total additions	4,552,823
	<hr/>
Deductions	
Benefits	1,985,377
Administration	24,717
	<hr/>
Total deductions	2,010,094
	<hr/>
Change in net position	2,542,729
	<hr/>
Net position - July 1, 2016	27,127,624
	<hr/>
Net position - June 30, 2017	\$ 29,670,353
	<hr/> <hr/>

The notes to financial statements are an integral part of these statements.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**History and organization**

The Town operates under a Charter which became effective in November 1973 and was last revised in November 2016. The form of government includes an elected seven-member Town Council, which elects a chairman, an elected nine-member Board of Education and an elected seven-member Board of Finance.

The legislative power of the Town is vested with the Town Council and the Town Meeting. The Town Council may enact, amend or repeal ordinances and resolutions. The administration of Town offices and agencies, with the exception of the Board of Education, is the responsibility of the Town Manager, who is appointed by the Town Council.

The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes and is responsible for presenting fiscal operating budgets to the Town Council for Town Meeting approval.

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Tax 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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. For reimbursement grants the Town considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The *Capital Initiatives Fund* is used to account for various capital projects and equipment purchases.

The *Capital Reserve Fund* is used for various capital and nonrecurring projects.

Additionally, the Town reports the following fund types:

The *Internal Service Funds* account for risk financing activities for dental insurance benefits and Board of Education retiree benefits.

The *Pension Trust Fund* accounts for the activities of the East Hampton Employee Retirement System which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students and for performance bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are 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.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

B. Measurement focus, basis of accounting and financial statement presentation (continued)

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town of East Hampton pension plan and the Connecticut State Teachers' Retirement System (TRS) have been determined on the same basis as they are reported by the Town of East Hampton pension plan and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity**1. Deposits and investments**

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

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

Investments for the Town are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments was invested in a 2a-7 like pool, which operates under State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

The Town's pension plan investment policy targets are 65% equities, 30% fixed income and 5% real estate.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****2. Receivables and payables****a. Interfunds**

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

b. Property taxes and other receivables

In the government-wide financial statements, property tax and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2 to 13 percent of outstanding receivable balances and are calculated based upon prior collections.

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

Loans receivable consist of Community Development Block Grant loans. The Town provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

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

3. Restricted assets

The restricted assets for the Town are restricted for endowment purposes. The trust agreement restricts the expenditure of the investment income only for the designated purpose.

4. 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 columns 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 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. 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.

Intangible assets include a permanent easement, which is not amortized.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

4. Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
Intangible assets	5-10
Buildings	20-95
Improvements other than buildings	10-25
Machinery and equipment	3-40
Infrastructure	20-65

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions for differences between expected and actual experience, changes in assumptions and return on investments. Experience differences and changes in assumptions will be amortized over the average remaining service life of all plan members. Return on investment will be amortized over a five year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), water charges, sewer assessment and use charges and loans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

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

7. Compensated absences

The Town allows employees to accumulate earned but unused vacation and sick pay benefits. The rate that these benefits are earned and accumulate varies by bargaining unit. Upon severance from employment with the Town, employees are paid by a prescribed formula for these accrued absences. All compensated absences are accrued when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources. Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal year end.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****8. Long-term obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

9. Fund equity and net position

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

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

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

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

Nonspendable

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

Restricted

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

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**9. Fund equity and net position (continued)**Committed

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

Assigned

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

Unassigned

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

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

The Town Council adopted a minimum fund balance policy for the General Fund. The policy requires the Town to strive to maintain an unassigned general fund balance of not less than 8 percent nor more than 10 percent of current year budgeted general fund operating expenditures.

10. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

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

Town of East Hampton, Connecticut

Notes to Financial Statements For the Year Ended June 30, 2017

II. Stewardship, compliance and accountability

• Budgets and budgetary accounting

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

- The Town Council submits to the Board of Finance a policy statement outlining its annual budget goals and objectives for the ensuing fiscal year. The Town Manager compiles preliminary estimates for all departments and agencies for submission of a Town Government budget to the Board of Finance. The Board of Education submits its budget directly to the Board of Finance. The Board of Finance holds public meetings for presentation of the proposed budgets.
- The Board of Finance compiles separate budgets for the Town Government and Board of Education based upon the Town Council's policy statement and the financial availability of Town funds, holds one or more public hearings on the proposed annual budgets and presents recommended budgets to the Town Council no later than April 15th. After making alterations or reductions, the Town Council submits separate budgets to the Town Meeting for approval. The call of the Annual Budget Meeting shall present, as separate resolutions, the Town Government budget and the Board of Education budget. The ballot questions provide for separate approval/disapproval of the Town Government budget and the Board of Education budget. In the event that either or both of the Town Government budget and/or Board of Education budget shall fail to pass at the referendum, such budget(s) which did not pass shall be revised and submitted for consideration at additional annual budget meetings, each of which shall likewise be adjourned for referendum, until such time as each budget shall have been adopted.
- The Board of Finance reviews and makes recommendations regarding all requests for additional appropriations to be submitted to the Town Council. Additional appropriations from fund balance that exceed \$25,000 must be approved by Town Meeting. Additional appropriations from fund balance below \$25,000, as well as additional appropriations from revised revenue, must be approved by Town Council.

There was an additional appropriation during the year of \$159,974 from fund balance for the purchase of property, the EH250 committee, and salary for a new officer.

- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education approval and then the Board of Finance reviews and makes recommendations regarding all requests for additional appropriations to be submitted to the Town Council. Additional appropriations from fund balance that exceed \$25,000 must be approved by Town Meeting.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

B. Budget - GAAP reconciliation

A reconciliation of revenues and expenditures between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Balance, budgetary basis, Exhibit F	\$ 42,545,077	\$ 41,843,755
State Teachers' Retirement on-behalf amount	5,615,800	5,615,800
Balance, GAAP basis, Exhibit D	<u>\$ 48,160,877</u>	<u>\$ 47,459,555</u>

C. Capital projects authorizations

The following is a summary of the project status for current Capital Projects:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
2012 Public Works Road Project	\$ 3,720,000	\$ 3,237,731	\$ 482,269
Brewer Road Pavement Rehabilitation	408,500	489,431	(80,931)
Christopher Brook Culvert Replacement	771,240	1,106,906	(335,666)
Total Road Projects	4,899,740	4,834,068	65,672
High School Renovation Project - Phase I	200,080	183,148	16,932
High School Renovation Project - Phase II	51,695,000	49,833,137	1,861,863
Memorial School Oil Tank	150,000	139,276	10,724
Memorial School Roof	3,290,000	2,762,216	527,784
Public Safety Dispatch	439,710	243,339	196,371
Oakum Dock water easement	790,500	733,487	57,013
Water Tower Demolition	200,000	193,994	6,006
Fuel Island	475,000	5,205	469,795
Total	<u>\$ 62,140,030</u>	<u>\$ 58,927,870</u>	<u>\$ 3,212,160</u>

The Brewer Road and Christopher Brook projects are over expended due to unexpected engineering oversight costs related to grant compliance. On April 5, 2016, the Town approved increasing the bonding authorization for road projects to \$3,720,000 and to add to the scope to cover the Brewer Road and Christopher Brook projects. Road project expenditures are below the authorized amount.

D. Donor-restricted endowments

The Town has received certain endowments for library operations purposes. The amounts are reflected in net position as restricted for the library. Investment income (including appreciation) is approved for expenditure by the library director.

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

At year end, there is no appreciation available for appropriation.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

E. Excess of Expenditures Over Appropriations

During the year, the Legal defense/fees general fund department had expenditures that exceeded appropriations by \$18,673.

III. Detailed notes**A. Cash and investments**

Deposits - custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. \$14,702,142 of the Town's bank balance of \$16,471,023 (including certificates of deposit classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 10,589,106
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>4,113,036</u>
Total amount subject to custodial credit risk	<u>\$ 14,702,142</u>

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

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

Type of Investment	Fair Value	Investment Maturities (In Years)			
		N/A	Less Than 1	1-5 Years	5-10 Years
<u>Mutual funds:</u>					
Equity	\$ 19,319,123	\$ 19,319,123	\$ -	\$ -	\$ -
Corporate bond fund	3,932,263	-	-	1,957,473	1,974,790
U.S. government bond fund	4,066,104	-	-	163,098	3,903,006
Foreign Currency mutual bond fund	1,473,571	-	-	1,473,571	-
Money market	424,621	-	424,621	-	-
Certificates of deposit	16,881	-	16,881	-	-
Pooled Fixed Income	27,109	-	27,109	-	-
Real Estate Limited Partnership	1,546,613	1,546,613	-	-	-
Total	<u>\$ 30,806,285</u>	<u>\$ 20,865,736</u>	<u>\$ 468,611</u>	<u>\$3,594,142</u>	<u>\$5,877,796</u>

Fair value of investments

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

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

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

A. Cash and investments (continued)

The Town had the following recurring fair value measurements:

	Amount	Quoted Market Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value level				
<u>Mutual Funds:</u>				
Equity	\$ 19,319,123	\$ 19,319,123	\$ -	\$ -
Corporate bonds	3,932,263	3,932,263	-	-
International bonds	1,473,571	1,473,571	-	-
U.S. government bonds	4,066,104	-	4,066,104	-
Money market	424,621	424,621	-	-
Total investments by fair value level	29,215,682	\$ 25,149,578	\$ 4,066,104	\$ -
<u>Investments measured at Net Asset Values (NAV)</u>				
Real estate limited partnership	1,546,613			
<u>Other investments not subject to fair value measurement</u>				
Certificates of deposit	16,881			
Pooled fixed income	27,109			
Total other investments	43,990			
Total Investments	\$ 30,806,285			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active.

Investments Measured at NAV

Investment Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate limited partnership	\$ 1,546,613	\$ -	Quarterly	90 days

Real estate limited partnership. This limited partnership invests primarily in stabilized, income producing, equity U.S. commercial real estate. The fund permits redemptions quarterly with 90 days notices. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Town's ownership interest in net assets.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

A. Cash and investments (continued)

Interest rate risk - To minimize interest rate risk, the Town's policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in shorter-term securities, money market funds or similar investment pools.

Credit risk - The Town's policy states credit risk will be minimized by limiting investments to the safest types of securities and pre-qualifying the financial institutions and advisors with which the Town will do business. The investment portfolio must be diversified so that potential losses on individual securities will be minimized. The Town's investments subject to credit risk have average ratings by Standard & Poor's as follows:

Ratings	Mutual Funds				
	Government Agency Securities	Corporate Bonds	International Bonds	Money Market	Pooled Fixed Income
AAA	\$ -	\$ -	\$ -	\$ 424,621	\$ 27,109
A	-	3,932,263	-	-	-
BB	-	-	1,473,571	-	-
Total	\$ -	\$ 3,932,263	\$ 1,473,571	\$ 424,621	\$ 27,109

Custodial credit risk - The Town does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds. The Town does not have any investments subject to custodial credit risk since the investments held are pooled investments or are held in the Town's name.

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

B. Receivables

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

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

B. Receivables (continued)

	Property Taxes			
	Taxes	Interest & Liens	Total	
Current portion	\$ 499,947	\$ 65,735	\$ 565,682	
Long-term portion	\$ 1,084,170	\$ 648,918	\$ 1,733,088	
Less allowance for uncollectibles	(160,000)	(70,000)	(230,000)	
Net long-term portion	\$ 924,170	\$ 578,918	\$ 1,503,088	
	Sewer Use and Assessments			CDBG Loans
	Use	Interest & Liens	Total	
Current portion	\$ 177,776	\$ 51,008	\$ 228,784	\$ -
Long-term portion	\$ 217,282	\$ 62,343	\$ 279,625	\$ 208,857
Less allowance for uncollectibles	(7,815)	(2,304)	(10,119)	(27,200)
Net long-term portion	\$ 209,467	\$ 60,039	\$ 269,506	\$ 181,657

C. Capital assets

Capital asset activity for the fiscal year was as follows:

	Beginning Balance July 1, 2016	Increases	Decreases	Ending Balance June 30, 2017
<u>Capital assets, not being depreciated:</u>				
Land	\$ 2,487,362	\$ 147,820	\$ -	\$ 2,635,182
Intangible assets	698,000	-	-	698,000
Construction in progress	43,647,438	11,234,451	4,105,007	50,776,882
Total capital assets, not being depreciated	46,832,800	11,382,271	4,105,007	54,110,064
<u>Capital assets, being depreciated:</u>				
Buildings	55,401,485	164,892	6,388,074	49,178,303
Intangible assets	60,000	-	-	60,000
Improvements other than buildings	226,937	-	-	226,937
Machinery and equipment	10,855,022	5,161,113	474,728	15,541,407
Infrastructure	46,011,121	1,016,687	3,470	47,024,338
Total capital assets, being depreciated	112,554,565	6,342,692	6,866,272	112,030,985
Total capital assets	159,387,365	17,724,963	10,971,279	166,141,049

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Capital Assets (continued)**Less accumulated depreciation:

Buildings	25,940,029	989,631	3,536,177	23,393,483
Intangible assets	49,050	3,650	-	52,700
Improvements other than buildings	80,996	6,606	-	87,602
Machinery and equipment	6,315,629	676,315	390,130	6,601,814
Infrastructure	8,027,643	500,429	3,470	8,524,602
Total accumulated depreciation and amortization	40,413,347	2,176,631	3,929,777	38,660,201
Total capital assets, being depreciated, net	72,141,218	4,166,061	2,936,495	73,370,784
Capital assets, net	\$118,974,018	\$15,548,332	\$7,041,502	\$127,480,848

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

General government	\$ 19,394
Public safety	211,856
Public works and utilities	1,013,174
Civic and human services	3,432
Culture and recreation	107,377
Regulatory	3,458
Education	817,940
Total depreciation expense	<u>\$ 2,176,631</u>

Construction commitments

At year end, the Town's commitments with contractors totaled \$1,176,083 for the High School Renovation project.

D. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances is as follows:

<u>Major funds:</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Miscellaneous grants	N/A	\$ -	\$ 117,478
Debt service	N/A	160,745	-
Public safety	N/A	4,750	-
Culture and recreation	N/A	17,813	-
Cafeteria	N/A	15,601	-
Education grant	N/A	28,248	-
Capital reserve	N/A	-	1,395,899
Capital initiatives	N/A	283,641	-
WPCA joint facilities	N/A	14,353	-
WPCA operating	N/A	26,784	-
Developer bonds	N/A	-	2,750
Total General fund		<u>551,935</u>	<u>1,516,127</u>

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

1. Interfund payables and receivables (continued)

	Corresponding Fund	Due From	Due To
Capital initiatives:			
Public works	N/A	\$ -	\$ 142,613
Capital reserve	N/A	79,384	-
General fund	N/A	-	283,641
Total Capital initiatives		79,384	426,254
Capital reserve:			
Capital initiatives	N/A	-	79,384
General fund	N/A	1,395,899	-
Total Capital reserve		1,395,899	79,384
<u>Nonmajor governmental funds:</u>			
Miscellaneous grants	General fund	117,478	-
Cafeteria	General fund	-	15,601
Education grant	General fund	-	28,248
Culture and recreation	General fund	-	17,813
WPCA operating	General fund	-	26,784
WPCA joint facilities	General fund	-	14,353
Public works	Capital Initiatives	142,613	-
Debt service	General fund	-	160,745
Public safety	General fund	-	4,750
Debt service	BOE Retiree Benefits	-	207,143
Total Nonmajor governmental funds		260,091	475,437
<u>Internal service funds:</u>			
Board of education retiree benefits	Debt Service	207,143	-
<u>Agency funds:</u>			
Developer bonds		2,750	-
Total		\$2,497,202	\$2,497,202

All interfund balances resulted from the time lag between the dates payments occurred between funds for interfund goods, payroll and services provided or in instances where certain funds do not have a checking account.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

2. Interfund transfers

A summary of interfund transfers is as follows:

	Corresponding Fund	Transfers In	Transfers Out
<u>Major funds:</u>			
General fund:			
Culture and recreation	N/A	\$ -	\$ 20,000
Capital reserve fund	N/A	400,000	770,549
Debt service fund	N/A	-	37,500
Dental insurance	N/A	30,801	-
Total general fund		430,801	828,049
Capital initiatives	Capital reserve	128,000	-
Capital reserve:			
General fund	N/A	770,549	400,000
Capital initiatives	N/A	-	128,000
Total capital reserve		770,549	528,000
<u>Nonmajor funds:</u>			
Special revenue funds:			
Culture and recreation	General fund	20,000	-
Debt service fund	General fund	37,500	-
Internal Service Fund	Debt service	-	30,801
Total		\$ 1,386,850	\$ 1,386,850

Transfers are used to account for the financing by the general fund of various programs and activities in the capital reserve, water system, and debt service fund. The transfer from public safety to the capital reserve fund was designated for projects related to public safety.

E. Short-term obligations - bond anticipation notes

The Town uses bond anticipation notes (BANs) during the construction period of various projects prior to the issuance of the bonds at the completion of the project.

Short-term activity for the fiscal year was as follows:

Project	Balance July 1, 2016	Additions	Deductions	Permanently Financed	Balance June 30, 2017
High school renovation project	\$ 5,000,000	\$ 7,000,000	\$ 5,000,000	\$ 6,700,000	\$ 300,000

In September 2017, the Town issued \$1,675,000 of bond anticipation notes that mature in September 2018 and carry a coupon interest rate of 2.00% and a true interest cost of 0.950%.

In September 2017, the Town issued \$7,000,000 of general obligation bonds which permanently financed the bond anticipation notes outstanding at fiscal year end. These bonds mature through 2037 and carry interest rates of 2.125 – 5.00%.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

F. Changes in long-term obligations**1. Summary of changes**

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
<u>Bonds:</u>									
General obligation	\$ 2,345,000	08/15/02	08/15/17	3.00%-4.125%	\$ 250,000	\$ -	\$ 125,000	\$ 125,000	\$ 125,000
General obligation	3,175,000	02/01/06	02/01/21	3.40%-5.0%	750,000	-	150,000	600,000	150,000
General obligation	2,985,000	04/15/09	07/15/28	2.50%-4.50%	2,025,000	-	160,000	1,865,000	160,000
General obligation	3,885,000	02/14/14	08/15/33	2.00%-4.00%	3,465,000	-	210,000	3,255,000	210,000
General obligation	21,225,000	12/15/15	07/15/35	2.00%-4.00%	21,225,000	-	1,060,000	20,165,000	1,060,000
Total bonds					27,715,000	-	1,705,000	26,010,000	1,705,000
Bond anticipation notes (permanently financed September 2017)					-	6,700,000	-	6,700,000	-
<u>Clean water notes:</u>									
Sewer 480C	503,694	06/30/02	12/31/21	2.0%	157,650	-	27,390	130,260	27,943
Total bonds/notes					27,872,650	6,700,000	1,732,390	32,840,260	1,732,943
Premiums					1,065,479	-	56,935	1,008,544	-
Total bonds/notes and related liabilities					28,938,129	6,700,000	1,789,325	33,848,804	1,732,943
Capital lease payable					976,617	172,349	225,988	922,978	222,059
Compensated absences					1,335,381	495,371	540,165	1,290,587	134,972
Net pension liability					10,453,647	3,950,594	4,528,106	9,876,135	-
Net OPEB obligation					2,094,949	305,399	196,377	2,203,971	-
Early retirement incentive					45,266	-	45,266	-	-
Environmental obligation					750,000	-	350,000	400,000	200,000
Total long-term obligations					<u>\$ 44,593,989</u>	<u>\$ 11,623,713</u>	<u>\$ 7,675,227</u>	<u>\$ 48,542,475</u>	<u>\$ 2,289,974</u>

All long-term liabilities listed above are liquidated by the General Fund except clean water notes which are paid out of the WPCA Joint Facilities Fund.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

1. Summary of changes (continued)

The following is a summary of bond and note maturities:

<u>Fiscal Year Ended June 30,</u>	<u>Note Principal</u>	<u>Bond Principal</u>	<u>Total Interest</u>
2018	\$ 27,943	\$ 1,705,000	\$ 838,728
2019	28,507	1,575,000	783,818
2020	29,082	1,575,000	725,785
2021	29,669	1,575,000	667,354
2022	15,059	1,425,000	608,446
2023	-	1,420,000	555,026
2024	-	1,415,000	501,238
2025	-	1,415,000	452,563
2026	-	1,415,000	408,716
2027	-	1,415,000	359,125
2028	-	1,415,000	313,066
2029	-	1,415,000	274,926
2030	-	1,220,000	236,250
2031	-	1,220,000	198,050
2032	-	1,225,000	159,775
2033	-	1,225,000	121,425
2034	-	1,225,000	83,075
2035	-	1,065,000	47,925
2036	-	1,065,000	15,975
	<u>\$ 130,260</u>	<u>\$26,010,000</u>	<u>\$ 7,351,266</u>

2. Statutory debt limitations

The Town's indebtedness does not exceed the legal debt limitations as required by 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	\$ 75,616,630	\$ 5,832,000	\$ 69,784,630
Schools	151,233,260	27,178,000	124,055,260
Sewers	126,027,716	130,260	125,897,456
Urban renewal	109,224,021	-	109,224,021
Pension deficit	100,822,173	-	100,822,173

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$235,251,737.

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

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

3. Authorized/unissued bonds

The amount of authorized, unissued bonds is as follows:

<u>Purpose of Bonds</u>	<u>Authorized but Unissued</u>
General purpose:	
Ambulance facility	\$ 18,500
Water system initial water supply plan	866,000
Capital improvements 2004-2005	454,400
Land purchase	7,100
Pine Brook culvert replacement	400,000
2012 road improvement project	405,000
Schools:	
High school athletic facilities improvements	2,000
Memorial school roof and oil tank	2,100,000
High school renovation	1,765,582
Fuel Island	<u>475,000</u>
Total	<u>\$ 6,493,582</u>

4. Capital leases

The Town is committed under capital leases for building improvements and vehicles. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and; therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Vehicles totaling \$347,855, net of accumulated depreciation of \$16,209, are recorded under the capital lease. This year, \$15,478 was included in depreciation expense.

Assets related to the lease for building improvements totaled \$534,598, net of accumulated depreciation of \$21,384, are recorded under capital leases. This year, \$21,384 was included in depreciation expense.

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments as of June 30, 2017:

Year Ending	
<u>June 30,</u>	
2018	\$ 238,839
2019	238,839
2020	238,839
2021	146,091
2022	53,344
Thereafter	53,344
Less amount representing interest	<u>(46,318)</u>
Present value of minimum lease payments	<u>\$ 922,978</u>

Town of East Hampton, Connecticut**Notes to Financial Statements
For the Year Ended June 30, 2017****5. Environmental cleanup**

The second property has an estimated cost of a site assessment and corrective measures feasibility study of \$750,000. Based upon the expenditures and progress made addressing the remediation during the year, the total estimated environmental obligation of the Town has been reduced to \$400,000.

The estimate is subject to change due to price changes, technology changes or other changes. The pollution remediation liability does not reflect any recovery of outlays because the Town does not anticipate that it will be able to recover remediation costs from other parties.

6. Early retirement

In 2015, the Town offered an Early Retirement Incentive Plan to all eligible members of the Municipal Employees Union Independent. Under this agreement, the Town provides a stipend to the employee for the cost of the premium for health insurance until the employee's sixty-fifth birthday. The stipends are paid annually from the general fund budget.

G. Restricted net position

The amount of restricted net position, which is restricted by enabling legislation, totaled \$825,920.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

I. Fund balance classifications

Fund Balance Component	General Fund	Capital Initiatives	Capital Reserve	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Library	\$ -	\$ -	\$ -	\$ 15,500	\$ 15,500
<u>Restricted:</u>					
Public works:					
Sewer facility operations	-	-	-	374,786	374,786
Sewer operations	-	-	-	617,834	617,834
Water operations	-	-	-	108,732	108,732
Community development programs	-	-	-	6,528	6,528
Library	-	-	-	1,381	1,381
Food services program	-	-	-	99,354	99,354
Total restricted	-	-	-	1,208,615	1,208,615
<u>Committed:</u>					
Civic and human service programs	-	-	-	52,372	52,372
Public works projects	-	-	-	155,891	155,891
Public safety:					
Police	-	-	-	131,129	131,129
Culture and recreation programs	-	-	-	138,615	138,615
Education grant programs	-	-	-	519,099	519,099
Construction contracts	-	1,002,853	1,276,708	1,886,658	4,166,219
Total committed	-	1,002,853	1,276,708	2,883,764	5,163,325
<u>Unassigned</u>	5,263,469	-	-	(19,013)	5,244,456
Total	\$ 5,263,469	\$ 1,002,853	\$ 1,276,708	\$ 4,088,866	\$ 11,631,896

The Town ended the year with a deficit fund balance in the Debt Service Fund of \$19,013. The Town plans to address this deficit through the a general fund transfer to the fund in the subsequent year.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

IV. Other information**A. Risk management**

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

The Town utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for dental claims. The fund records all claim expenses and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. In addition, the fund records contributions for benefits for the Board of Education retirees.

The Board of Education is charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

As of July 1, 2017 the Town is no longer self insured for dental claims.

The following is a summary of changes in the claims liabilities:

<u>Fiscal Year</u>	<u>Claims Payable July 1</u>	<u>Current Year Claims and Change in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2015-2016	\$ 19,363	\$ 293,639	\$ 275,388	\$37,614
2016-2017	37,614	8,538	46,152	-

B. Commitments and litigation

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

Intermunicipal agreement

The Town is party to an intermunicipal agreement for septage waste disposal. The Town has agreed to accept septage from five area towns. The Town originally borrowed \$837,030 from the State of Connecticut Clean Water Fund to finance improvements to its plant to accommodate septage from the other towns. In fiscal year 2002, the Town borrowed an additional \$503,694 for a nitrogen reduction project. Each Town is committed to paying a portion of the cost of improvements over 20 years. Additionally, operating costs and a use fee will also be charged.

C. Pension plans**1. Plan description****Plan administration**

The Town administers the Town of East Hampton Retirement Income Plan - a single-employer Public Employee Retirement System ("PERS") that provides pension benefits for eligible employees of the Town. The Pension Plan Article XV grants the authority to establish and amend the benefit terms to the Town Council. The plan is considered to be a part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The plan does not issue stand-alone financial statements.

Management of the plan is vested in the Town Council.

Plan membership

At July 1, 2016, pension plan membership consisted of the following:

Active plan members	146
Terminated vested plan members	103
Plan members in pay status	<u>121</u>
Total	<u><u>370</u></u>

2. Benefit provisions

The plan provides retirement, disability and death benefits. Retirement benefits for police officers are calculated as 2.5% of the member's final average salary times the member's credited years of service. For all other plan members, retirement benefits are calculated as 2.25% of the member's final average salary times the member's credited years of service. Town plan members with 10 years of continuous service are 100 percent vested. Police plan members can retire at full benefits the earlier of age 55 with 10 years of service or 20 years of service. All other plan members may retire with full benefits at age 62 with 5 years of service.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

2. Benefit provisions (continued)

All plan members, who are determined to have a total and permanent disability, are eligible for disability benefits after 10 years of service. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement and post-retirement death benefits are to be paid in accordance with the plan documents.

Benefit terms provide for cost-of-living adjustments (COLAs) which may be applied periodically to the retirement benefits under the plan. The timing and manner of which such COLAs may be applied shall be determined by the Employer.

3. Contributions

Article IV of the pension plan provides that after July 1, 1996, police offers will contribute 5% of their annual base compensation, and all other members will contribute 5.5% of their annual base compensation.

The Town is required to contribute the amount determined by the actuary, considering the member contributions.

The average active member contribution rate was 5.5% of annual base compensation, and the Town's average contribution rate was 14.3% of annual payroll.

4. Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee by a majority vote of its members. It is the policy of the Town's Pension Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Committee's adopted asset allocation policy:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	65%
Fixed income	30%
Real Estate	<u>5%</u>
Total	<u>100%</u>

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

5. Concentrations

The Town places no limit on the amount the Town may invest in any one issuer. At fiscal year end, the Town had 5.22% of the Town's total pension plan investments invested in a real estate limited partnership.

6. Rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Net pension liability

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

Total pension liability	\$ 39,546,488
Plan fiduciary net position	<u>29,670,353</u>
Net pension liability	<u>\$ 9,876,135</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.03%</u>

8. Actuarial assumptions

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:

Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Amortization method	Level percent, closed
Inflation	2.75%
Salary increase	2.75-4.25%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Healthy Mortality with generational projection per Scale AA
Post-retirement increases	Ad hoc (none for 2017)

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

8. Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. core fixed income	2.66%
U.S. inflation-indexed bonds	1.95%
Broad U.S. equities	5.15%
Developed foreign equities	5.88%
Emerging market equities	8.14%
Real estate (REITS)	3.85%
Commodities	3.02%

The weighted average expected rate of return is 4.23%.

9. Discount rate

The discount rate used to measure the total pension liability was 7.00%. 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 Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

10. Changes in the net pension liability

The Town's net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2016	\$ 37,581,271	\$ 27,127,624	\$ 10,453,647
Service cost	778,005	-	778,005
Interest	2,616,836	-	2,616,836
Differences between expected and actual experience	-	-	-
Changes in assumptions	555,753	-	555,753
Contributions - employer	-	1,026,712	(1,026,712)
Contributions - member	-	398,344	(398,344)
Net investment income	-	3,127,767	(3,127,767)
Benefit payments, including refunds of member contributions	(1,985,377)	(1,985,377)	-
Administrative expenses	-	(24,717)	24,717
Net change	1,965,217	2,542,729	(577,512)
Balance at June 30, 2017	\$ 39,546,488	\$ 29,670,353	\$ 9,876,135

11. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00% 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 14,418,126	\$ 9,876,135	\$ 6,094,371

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

12. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

During the year, the Town recognized pension expense of \$2,250,224. The Town reported deferred outflows of resources related to pensions from the following sources:

Description of Outflows	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 843,876
Changes in assumptions	329,277
Net difference between projected and actual earnings on pension plan investments	<u>670,115</u>
Total	<u>\$ 1,843,268</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was 3.7 years.

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

Year Ending June 30,	
2018	\$ 1,087,286
2019	805,289
2020	200,699
2021	<u>(250,006)</u>
Total	<u>\$ 1,843,268</u>

13. Defined contribution retirement savings plan

As of September 2013, Town employees and certain Board of Education employees not covered by the Town's defined benefit plan are eligible to participate in the East Hampton Money Purchase Plan administered by the Town. Town Council has the authority to establish and amend the plan. There were 33 employees eligible to participate in the plan. The Town and employees are both required to contribute 5% of earnings. During the year the Town recognized pension expense of \$76,157 and employee contributions totaled \$76,132.

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****D. Pension plans - Connecticut State Teachers' Retirement Plan****1. Plan description**

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

2. Benefit provisions

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

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

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

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

3. ContributionsState of Connecticut

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

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**3. Contributions (continued)**Employer (School Districts)

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

Employees

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

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>51,495,781</u>
Total	<u>\$ 51,495,781</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 that date. The Town has no proportionate share of the net pension liability.

The Town recognized pension expense and revenue of \$5,615,800 for on-behalf amounts for the benefits provided by the State.

5. Actuarial assumptions

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

5. Actuarial assumptions (continued)

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

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

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

Town of East Hampton, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

6. Discount rate

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

7. Sensitivity of the net pension liability to changes in the discount rate

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

E. Other post-employment benefit plan**1. Plan description**

The Town administers one single-employer, post retirement healthcare plan for the Board of Education for the Town of East Hampton Other Post-Employment Benefit ("OPEB"). The Board of Education plan provides medical and dental benefits to eligible retirees and their spouses. The plan does not issue stand-alone financial reports.

2. Summary of significant accounting policies and plan asset mattersValuation of investments

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price. There are no investments of 5% or greater in any one organization.

3. Classes of employees covered

The plan's membership consisted of:

	<u>Board of Education</u>
Retirees and beneficiaries currently receiving benefits	25
Active plan members	<u>174</u>
Total	<u><u>199</u></u>

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

4. Benefit provisions and contributions**a. Benefit provisions**

The Board of Education plan provides medical and dental benefits for all Board of Education retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

b. Employer contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Board of Education's total plan contribution was \$196,377.

c. Employee contributions

There are no employee contributions to the plan.

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

5. Funded status and funding progress

The funded status of the plan as of July 1, 2015 was as follows:

	<u>A)</u>	<u>(B)</u>	<u>(A-B)</u>	<u>(A/B)</u>	<u>(C)</u>	<u>[(A-B)/C]</u>
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$3,703,187	\$ (3,703,187)	0.0%	\$14,272,000	(25.9)%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedules of funding progress, immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used, include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and the actuarial value of assets.

Town of East Hampton, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

5. Funded status and funding progress (Continued)

The data presented in the schedule of funding progress and schedule of employer contributions were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

Valuation date	July 1, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent
Remaining amortization period	24 Years Closed

Actuarial Assumptions:

Investment rate of return	4.00%
Healthcare inflation rate:	
Initial	5.70%
Ultimate	4.70%
Inflation rate	2.75%

6. Annual OPEB cost and net OPEB obligation ("NOO")

The changes in the NOO were as follows:

	<u>Board of Education</u>
Annual required contribution	\$ 321,435
Interest on net OPEB obligation	83,798
Adjustment to annual required contribution	<u>(99,834)</u>
Annual OPEB cost (AOC)	305,399
Contributions made	<u>196,377</u>
Change in net OPEB obligation	109,022
Net OPEB obligation - July 1, 2016	<u>2,094,949</u>
Net OPEB obligation - June 30, 2017	<u><u>\$ 2,203,971</u></u>

7. Three year trend information

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u> <u>(AOC)</u>	<u>Percentage</u> <u>of AOC</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>	<u>Actual</u> <u>Contributed</u>
2015	\$ 486,643	46.9%	\$ 1,799,262	\$ 228,299
2016	514,028	42.5%	2,094,949	218,341
2017	305,399	64.3%	2,203,971	196,377

Required Supplementary Information

Town of East Hampton, Connecticut

Retirement Income Plan

Required Supplementary Information
Last Four YearsSchedule of Changes in Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 778,005	\$ 805,799	\$ 763,446	\$ 819,627
Interest	2,616,836	2,516,844	2,337,307	2,242,374
Differences between expected and actual experience		831,035	302,268	-
Changes in assumptions	555,753	487,376	456,503	-
Benefit payments, including refunds of member contributions	<u>(1,985,377)</u>	<u>(1,751,356)</u>	<u>(1,594,194)</u>	<u>(1,465,203)</u>
Net change in total pension liability	1,965,217	2,889,698	2,265,330	1,596,798
Total pension liability - July 1	<u>37,581,271</u>	<u>34,691,573</u>	<u>32,426,243</u>	<u>30,829,445</u>
Total pension liability - June 30 (a)	<u>\$ 39,546,488</u>	<u>\$ 37,581,271</u>	<u>\$ 34,691,573</u>	<u>\$ 32,426,243</u>
Plan fiduciary net position:				
Contributions - employer	\$ 1,026,712	\$ 960,000	\$ 982,321	\$ 953,000
Contributions - member	398,344	421,156	419,210	413,838
Net investment income	3,127,767	11,189	653,723	3,455,656
Benefit payments, including refunds of member contributions	<u>(1,985,377)</u>	<u>(1,751,356)</u>	<u>(1,594,194)</u>	<u>(1,465,203)</u>
Administration expenses	<u>(24,717)</u>	<u>(57,552)</u>	<u>(48,049)</u>	<u>(52,123)</u>
Net change in plan fiduciary net position	2,542,729	(416,563)	413,011	3,305,168
Plan fiduciary net position - July 1	<u>27,127,624</u>	<u>27,544,187</u>	<u>27,131,176</u>	<u>23,826,008</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 29,670,353</u>	<u>\$ 27,127,624</u>	<u>\$ 27,544,187</u>	<u>\$ 27,131,176</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 9,876,135</u>	<u>\$ 10,453,647</u>	<u>\$ 7,147,386</u>	<u>\$ 5,295,067</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of East Hampton, Connecticut

Retirement Income Plan

Required Supplementary Information
Last Four YearsSchedule of Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 39,546,488	\$ 37,581,271	\$ 34,691,573	\$ 32,426,243
Plan fiduciary net position	<u>29,670,353</u>	<u>27,127,624</u>	<u>27,544,187</u>	<u>27,131,176</u>
Net pension liability	<u>\$ 9,876,135</u>	<u>\$ 10,453,647</u>	<u>\$ 7,147,386</u>	<u>\$ 5,295,067</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.03%</u>	<u>72.18%</u>	<u>79.40%</u>	<u>83.67%</u>
Covered payroll	<u>\$ 7,177,458</u>	<u>\$ 7,202,832</u>	<u>\$ 7,300,421</u>	<u>\$ 7,621,801</u>
Net pension liability as a percentage of covered payroll	<u>137.60%</u>	<u>145.13%</u>	<u>97.90%</u>	<u>69.47%</u>

Schedule of Investment Returns

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money weighted rate of return, net investment expense	<u>11.51%</u>	<u>(.04%)</u>	<u>2.36%</u>	<u>14.14%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of East Hampton, Connecticut

Town of East Hampton Retirement Income Plan

Required Supplementary Information
Last Ten YearsSchedule of Contributions

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 1,020,204	\$ 1,026,712	\$ 6,508	\$ 7,177,458	14.30%
2016	957,490	960,000	2,510	7,202,832	13.33%
2015	980,548	982,321	1,773	7,300,421	13.46%
2014	952,198	953,000	802	7,621,801	12.50%
2013	815,329	829,183	13,854	7,372,236	11.25%
2012	749,829	809,304	59,475	7,317,009	11.06%
2011	787,261	847,761	60,500	6,613,882	12.82%
2010	765,583	771,832	6,249	6,674,011	11.56%
2009	595,784	717,193	121,409	6,417,318	11.18%
2008	551,652	707,485	155,833	N/A	N/A

Town of East Hampton, Connecticut

Retirement Income Plan

Notes to Required Supplementary Information
Last Four Years

Changes of benefit terms	None
Changes of assumptions	<p>2017: The discount rate was changed from 7.125% to 7.00%.</p> <p>2016: The discount rate was changed from 7.25% to 7.125%.</p> <p>2015: The discount rate was changed from 7.50% to 7.25%.</p>
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2015 two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair value
Amortization Method	Level percent, closed
Inflation	2.75%
Salary Increases	Age based scale ranging from 2.75% for employees over 50 to 4.25% for employees under 26
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Healthy Mortality Table, Male and Female, with generational projection of future mortality improvements per Scale AA. This assumption includes a the valuation date margin for improvements in longevity beyond the valuation date
Post-retirement increases	Ad Hoc

Town of East Hampton, Connecticut

Town of East Hampton Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress

Last Five Valuations

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2015	\$ -	\$ 3,703,187	\$ (3,703,187)	0.0%	\$ 14,272,000	(25.9%)
2014	-	6,226,339	(6,226,339)	0.0%	13,540,000	(46.0%)
2013	-	5,973,888	(5,973,888)	0.0%	13,540,000	(44.1%)
2011	-	5,525,000	(5,525,000)	0.0%	11,651,000	(47.4%)
2009	-	6,071,000	(6,071,000)	0.0%	N/A	N/A

Schedule of Employer Contributions

Last Nine Years

Fiscal Year End June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2017	\$ 321,435	\$ 109,022	33.9%
2016	520,026	218,341	42.0%
2015	489,108	228,299	46.7%
2014	527,000	232,000	44.0%
2013	497,000	225,000	45.3%
2012	545,000	288,000	52.8%
2011	515,000	288,000	55.9%
2010	486,000	263,000	54.1%
2009	486,000	226,000	46.5%

Note: The schedule of employer contributions is intended to present information for 10 years. Additional years will be presented as they become available.

Town of East Hampton, Connecticut

Town of East Hampton Other Post-Employment Benefit Plan

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
Changes of assumptions	2015: Effective July 1 2015, it is assumed that all current actives and pre-65 retirees (except when indicated non-Medicare eligible) are Medicare eligible.
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2015, two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent
Remaining Amortization Period	24 Years Closed
Investment Rate of Return	4.00%
Healthcare Inflation rate - Initial	5.70%
Healthcare Inflation rate - Ultimate	4.70%
Inflation rate	2.75%

Town of East Hampton, Connecticut

Connecticut State Teachers' Retirement System

Required Supplementary Information
Last Three Years

Schedule of Proportionate Share of the Net Pension Liability

	2017	2016	2015
Town's proportion of the net pension liability (asset)	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town	<u>51,495,781</u>	<u>38,984,952</u>	<u>36,033,775</u>
Total	<u>\$ 51,495,781</u>	<u>\$ 38,984,952</u>	<u>\$ 36,033,775</u>
Town's covered payroll	(2) <u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Schedule of Contributions

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

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

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

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of East Hampton, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
	2016:
	1. Reduce the inflation assumption from 3.00% to 2.75%.
	2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.5 % to 8.00%.
	3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%.
	4. Slightly modify the merit portion of the salary scale.
	5. Reduce the payroll growth assumption from 3.75% to 3.25 %.
	6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
	ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females.
	8. Increase rates of withdrawal.
	9. Decrease rates of disability for males.
Changes of assumptions	
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	21.4 years
Asset Valuation Method	4 year smoothed market
Inflation	2.75%
Salary Increases	3.25%-6.00%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, buildings and grounds, planning and development, health and human services, library, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Town of East Hampton, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
For The Year Ended June 30, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	With Final Budget
Property Taxes:				
Current taxes	\$ 32,451,205	\$ 32,451,205	\$ 32,230,461	\$ (220,744)
Back taxes	450,000	450,000	563,481	113,481
Telephone access share line	27,500	27,500	27,713	213
Supplemental motor vehicles	245,000	245,000	387,489	142,489
Housing Authority reimbursement	15,000	15,000	17,108	2,108
Interest	240,000	240,000	353,182	113,182
Liens	3,500	3,500	4,395	895
Total property taxes	33,432,205	33,432,205	33,583,829	151,624
Intergovernmental:				
General government:				
Town aid road	320,189	320,189	319,904	(285)
Grants for municipal projects	18,943	18,943	18,943	-
Elderly tax relief	48,000	48,000	45,458	(2,542)
Department of Youth Services	15,911	15,911	15,595	(316)
State-owned property	49,068	49,068	49,068	-
Disability tax relief	1,245	1,245	1,155	(90)
Veterans' exemption	4,250	4,250	4,611	361
Mashantucket Pequot/Mohegan grant	41,883	41,883	41,883	-
Other Federal & State grants	263,149	263,149	268,384	5,235
Total general government	762,638	762,638	765,001	2,363
Education:				
Education cost sharing	7,613,630	7,613,630	7,551,032	(62,598)
Adult education	17,376	17,376	17,231	(145)
Total education	7,631,006	7,631,006	7,568,263	(62,743)
Total intergovernmental	8,393,644	8,393,644	8,333,264	(60,380)

(Continued)

Town of East Hampton, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget
	Original	Final	Actual	
Charges for Services:				
Finance Department	\$ 27,505	\$ 27,505	\$ 43,457	\$ 15,952
Assessor Department	900	900	605	(295)
Animal control	210	210	15	(195)
Police Department	8,300	8,300	13,193	4,893
Town Clerk	245,750	245,750	258,335	12,585
Planning, zoning and buildings	161,600	161,600	185,671	24,071
Transfer station fees/stickers	42,500	42,500	38,498	(4,002)
Lease of Town property	28,566	28,566	28,923	357
Sears Park rent	750	750	1,800	1,050
Library	12,000	12,000	11,504	(496)
Community room rental	150	150	150	-
Sears Park stickers	3,000	3,000	4,575	1,575
Blasting permits	100	100	180	80
Public Works	50	50	1,740	1,690
Total charges for services	531,381	531,381	588,646	57,265
Investment income	22,500	22,500	22,170	(330)
Miscellaneous:				
Collector of Revenue	400	400	1,187	787
Parks & Recreation	2,250	2,250	2,201	(49)
CRRA recycling rebate	9,000	9,000	-	(9,000)
Insurance reimbursement	-	-	13,630	13,630
Middle Haddam Historic District	250	250	150	(100)
Total miscellaneous	11,900	11,900	17,168	5,268
Total Revenues	42,391,630	42,391,630	42,545,077	153,447
Other Financing Sources:				
Appropriation of fund balance	-	159,974	-	(159,974)
Transfers in:				
Capital reserve fund	400,000	400,000	400,000	-
Dental Insurance	-	-	30,801	30,801
Total other financing sources	400,000	559,974	430,801	(129,173)
Total Revenues and Other Financing Sources	\$ 42,791,630	\$ 42,951,604	\$ 42,975,878	\$ 24,274

(Concluded)

Town of East Hampton, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Town Manager's Department	\$ 338,668	\$ 323,691	\$ 323,687	\$ 4
Council special programs	24,539	24,415	22,405	2,010
Legal defense/fees	144,000	174,330	193,003	(18,673)
Town Hall and Annex	255,019	255,019	251,328	3,691
Finance and Accounting	466,414	425,043	425,034	9
Collector of Revenue	175,317	161,272	157,527	3,745
Assessor's Office	187,316	171,518	153,369	18,149
Board of Assessment Appeals	1,722	1,677	180	1,497
Town Clerk's office	170,194	155,437	155,434	3
Registrars/elections	48,671	48,671	40,386	8,285
General insurance	389,225	389,225	377,732	11,493
Probate court	14,328	14,328	14,328	-
Employee benefits	1,348,726	1,795,034	1,688,483	106,551
Information technology	90,005	90,005	89,653	352
Contingency	20,000	-	-	-
CNG community contribution	50,000	50,000	50,000	-
Total general government	3,724,144	4,079,665	3,942,549	137,116
Public Safety:				
Police administration	332,884	320,783	320,383	400
Police regular patrol	1,512,651	1,395,226	1,388,751	6,475
Lake patrol	1,859	1,723	503	1,220
Animal Control	45,290	45,310	45,309	1
Firefighting	262,884	262,884	262,829	55
Fire Marshal	33,019	37,589	37,569	20
Town center fire system	9,238	9,238	6,717	2,521
Ambulance association	19,500	19,500	13,474	6,026
Civil Preparedness	15,939	15,939	15,416	523
Communications	220,075	220,075	212,794	7,281
Street lighting	54,000	61,860	61,857	3
Total public safety	2,507,339	2,390,127	2,365,602	24,525
Public Works:				
Public Works	1,452,885	1,334,198	1,266,524	67,674
Engineering	50,000	50,000	49,907	93
Town Garage	78,536	78,536	59,473	19,063
Townwide motor fuel	136,245	136,245	130,667	5,578
Road materials	365,925	365,925	365,774	151
Transfer station	152,129	148,360	145,387	2,973
Septage disposal	2,600	2,600	2,484	116
Total public works	2,238,320	2,115,864	2,020,216	95,648
Regulatory:				
Planning, zoning and buildings	341,974	305,705	305,679	26
Economic development commission	4,865	4,796	2,727	2,069
Conservation and lake commission	13,737	13,677	13,571	106
Redevelopment agency	1,526	1,477	717	760
Middle Haddam Historic District	800	865	864	1
Total regulatory	362,902	326,520	323,558	2,962

(Continued)

Town of East Hampton, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses
Budget and Actual
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Health and Human Services:				
Chatham Health District	\$ 132,602	\$ 132,602	\$ 132,602	\$ -
Human Services	103,210	94,789	94,787	2
Senior Center	121,732	114,697	107,931	6,766
Transportation	52,600	52,600	52,600	-
Cemetery care	5,000	5,000	5,000	-
Commission on Aging	2,450	2,450	2,395	55
Community Services	5,250	5,520	5,520	-
Total health and human services	422,844	407,658	400,835	6,823
Culture and Recreation:				
Park and recreation	397,933	374,858	374,229	629
Arts & cultural commission	2,500	2,500	2,158	342
Community Center	148,424	180,888	180,883	5
Library	445,767	427,067	421,521	5,546
Middle Haddam Library	19,000	19,000	19,000	-
Total culture and recreation	1,013,624	1,004,313	997,791	6,522
Education	29,058,285	29,058,285	29,056,228	2,057
Debt Service	2,741,123	2,741,123	2,736,976	4,147
Total Expenditures	42,068,581	42,123,555	41,843,755	279,800
Other Financing Uses:				
Transfers out:				
Capital Reserve Fund	685,549	770,549	770,549	-
Park and recreation - EH250	-	20,000	20,000	-
Debt Service	37,500	37,500	37,500	-
Total other financing uses	723,049	828,049	828,049	-
Total Expenditures and Other Financing Uses	\$ 42,791,630	\$ 42,951,604	\$ 42,671,804	\$ 279,800

(Concluded)

Town of East Hampton, Connecticut

General Fund
Board of Education
Schedule of Expenditures Compared with Appropriations
For The Year Ended June 30, 2017

	Original Appropriation	Final Appropriation	Expenditures	Variance with Final Budget
Certified salaries	\$ 14,982,373	\$ 14,982,373	\$ 15,099,505	\$ (117,132)
Classified salaries	3,944,216	3,944,216	4,020,446	(76,230)
Employee benefits:				
Medical and dental	3,872,680	3,872,680	3,716,892	155,788
Unemployment compensation	8,000	8,000	12,016	(4,016)
Social Security	253,154	253,154	260,085	(6,931)
Medicare	252,330	252,330	253,183	(853)
Pension	412,162	412,162	408,962	3,200
DC plan contribution	22,000	22,000	34,218	(12,218)
Workers' compensation	169,150	169,150	156,282	12,868
Life insurance	44,400	44,400	43,830	570
Other	1,980	1,980	5,521	(3,541)
Tuition	786,614	786,614	888,467	(101,853)
Pupil transportation	1,177,857	1,177,857	1,182,556	(4,699)
Other transportation	33,004	33,004	8,205	24,799
Computer consulting services	199,923	199,923	201,840	(1,917)
Meetings and conferences	44,700	44,700	21,082	23,618
Professional/technical services	814,750	814,750	756,190	58,560
Public utilities	50,425	50,425	52,567	(2,142)
Building, equipment maintenance and repairs	241,115	241,115	298,988	(57,873)
Heating, ventilation maintenance and repairs	40,000	40,000	31,681	8,319
Security system maintenance and repairs	2,500	2,500	1,440	1,060
Vehicle maintenance and repairs	500	500	1,453	(953)
Supplies, materials and minor equipment	416,155	416,155	386,310	29,845
Fire protection	24,500	24,500	11,978	12,522
Refuse removal	25,000	25,000	25,464	(464)
Water and underground tank testing	5,000	5,000	7,887	(2,887)
Pest control	6,000	6,000	9,570	(3,570)
Tile and carpet replacement	5,000	5,000	-	5,000
Equipment rental	102,001	102,001	91,267	10,734
Property and liability insurance	129,150	129,150	133,263	(4,113)
Staff travel	13,965	13,965	7,321	6,644
Communications	76,225	76,225	71,837	4,388
Newspaper advertising	2,500	2,500	2,728	(228)
Printing and binding	17,900	17,900	15,132	2,768
Other purchased services	40,584	40,584	34,819	5,765
Heating oil	2,380	2,380	4,572	(2,192)
Natural gas	137,800	137,800	128,110	9,690
Motor fuel	120,907	120,907	121,887	(980)
Electricity	326,900	326,900	316,219	10,681
Bottled gas	3,000	3,000	(151)	3,151
Textbooks	38,160	38,160	64,134	(25,974)
Library books/periodicals	31,052	31,052	23,408	7,644
Other supplies and materials	53,665	53,665	43,125	10,540
Dues and fees	51,608	51,608	53,235	(1,627)
Equipment	75,000	75,000	48,704	26,296
Total expenditures - Schedule 2	\$ 29,058,285	\$ 29,058,285	\$ 29,056,228	\$ 2,057

Town of East Hampton, Connecticut

Report of Tax Collector
For The Year Ended June 30, 2017

Grand List	Uncollected Taxes July 1, 2016	Current Tax Levy	Assessor's		Transferred To Suspense	Net Amount Collectible	Collections			Uncollected Taxes June 30, 2017
			Additions	Deductions			Taxes	Interest and Liens	Total	
2015	\$ -	\$ 33,357,291	\$ 66,684	\$ 213,463	\$ 6,294	\$ 33,204,218	\$ 32,674,062	\$ 125,139	\$ 32,799,201	\$ 530,156
2014	645,046	-	3,720	13,793	17,743	617,230	301,702	65,584	367,286	315,528
2013	365,857	-	28	3,237	18,615	344,033	96,996	44,314	141,310	247,037
2012	278,206	-	47	3,896	25,551	248,806	74,746	50,971	125,717	174,060
2011	214,227	-	3	4,291	42,549	167,390	40,711	31,683	72,394	126,679
2010	164,644	-	15	3,989	38,682	121,988	22,501	21,631	44,132	99,487
2009	97,816	-	12	7,466	25,803	64,559	13,608	16,519	30,127	50,951
2008	50,981	-	174	-	22,528	28,627	4,407	5,682	10,089	24,220
2007	31,487	-	1	1,923	18,214	11,351	51	280	331	11,300
2006	10,350	-	91	-	7,952	2,489	-	40	40	2,489
2005	5,887	-	10	-	3,687	2,210	-	-	-	2,210
2004	950	-	5	-	955	-	-	-	-	-
2003	501	-	186	-	687	-	-	-	-	-
2002	383	-	-	-	383	-	-	-	-	-
2001	504	-	-	-	504	-	-	-	-	-
							<u>\$ 33,228,784</u>	<u>361,843</u>	<u>33,590,627</u>	<u>\$ 1,584,117</u>
Suspense collections							9,748		9,748	
Suspense interest and liens								7,016	7,016	
Total							<u>\$ 33,238,532</u>	<u>\$ 368,859</u>	<u>\$ 33,607,391</u>	

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Water System	User fees	Water operations
Public Safety	Fees	Police outside services
Culture and Recreation	User fees	Recreation programs
School Cafeteria	Sale of lunches and grants	Cafeteria operations
Education Grant	Federal and State grants	Education related programs
Public Works	Federal and State grants	Public works projects
Community Development	Federal grants	Town development programs
Miscellaneous Grants	Federal and State grants	Civic and human services and capital related purposes
WPCA Joint Facilities	Member town fees	Regional sewer facility operations
WPCA Operating	User fees	Sewer operations

Debt Service

The debt service fund is used for retirement payouts for accumulated sick and vacation time and other long-term obligations.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities.

WPCA Development - acquisition and construction related to the WPCA operations.

WPCA - acquisition and construction related to the WPCA.

WPCA Joint Facilities - acquisition and construction related to WPCA Joint Facilities.

Public Water System - construction related to the development of a public water system.

Permanent Fund

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

Library Trust Fund - support and benefit of the Town's library.

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds					
	Water System	Public Safety	Culture and Recreation	School Cafeteria	Education Grant	Public Works
<u>Assets</u>						
Cash	\$ -	\$ 137,043	\$ 224,841	\$ 54,225	\$ 350,083	\$ 13,278
Investments	-	-	-	-	-	-
Receivables:						
Assessments and use charges	18,349	-	-	-	-	-
Intergovernmental	-	-	104,302	24,575	64,428	-
Loans	-	-	-	-	-	-
Other	-	-	-	-	172,091	-
Due from other funds	114,396	-	-	30,000	-	142,613
Other	-	-	-	6,979	-	-
Total assets	\$ 132,745	\$ 137,043	\$ 329,143	\$ 115,779	\$ 586,602	\$ 155,891
<u>Liabilities</u>						
Accounts payable	\$ 5,664	\$ 1,164	\$ 107,412	\$ 824	\$ 6,121	\$ -
Due to other funds	-	4,750	17,813	15,601	58,248	-
Unearned revenue	-	-	65,303	-	3,134	-
Total liabilities	5,664	5,914	190,528	16,425	67,503	-
<u>Deferred Inflows of Resources</u>						
Unavailable revenues:						
Water charges	18,349	-	-	-	-	-
Loans	-	-	-	-	-	-
Sewer assessment and use charges	-	-	-	-	-	-
Total deferred inflows of resources	18,349	-	-	-	-	-
<u>Fund Balances</u>						
Nonspendable	-	-	-	-	-	-
Restricted	108,732	-	-	99,354	-	-
Committed	-	131,129	138,615	-	519,099	155,891
Unassigned	-	-	-	-	-	-
Total fund balances	108,732	131,129	138,615	99,354	519,099	155,891
Total liabilities, deferred inflows of resources and fund balances	\$ 132,745	\$ 137,043	\$ 329,143	\$ 115,779	\$ 586,602	\$ 155,891

(Continued)

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds				Total Special Revenue Funds	Debt Service
	Community Development	Miscellaneous Grants	WPCA Joint Facilities	WPCA Operating		
Assets						
Cash	\$ 6,528	\$ 189,369	\$ 408,907	\$ 1,130,759	\$ 2,515,033	\$ 348,875
Investments	-	-	-	-	-	-
Receivables:						
Assessments and use charges	-	-	21,109	292,017	331,475	-
Intergovernmental	-	-	-	-	193,305	-
Loans	208,857	-	-	-	208,857	-
Other	-	-	-	32,789	204,880	-
Due from other funds	-	117,478	-	-	404,487	-
Other	-	-	-	-	6,979	-
Total assets	\$ 215,385	\$ 306,847	\$ 430,016	\$ 1,455,565	\$ 3,865,016	\$ 348,875
Liabilities						
Accounts payable	\$ -	\$ 2,254	\$ 40,877	\$ 4,430	\$ 168,746	\$ -
Due to other funds	-	103,080	14,353	541,284	755,129	367,888
Unearned revenue	-	149,141	-	-	217,578	-
Total liabilities	-	254,475	55,230	545,714	1,141,453	367,888
Deferred Inflows of Resources						
Unavailable revenues:						
Water charges	-	-	-	-	18,349	-
Loans	208,857	-	-	-	208,857	-
Sewer assessment and use charges	-	-	-	292,017	292,017	-
Total deferred inflows of resources	208,857	-	-	292,017	519,223	-
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	6,528	-	374,786	617,834	1,207,234	-
Committed	-	52,372	-	-	997,106	-
Unassigned	-	-	-	-	-	(19,013)
Total fund balances	6,528	52,372	374,786	617,834	2,204,340	- (19,013)
Total liabilities, deferred inflows of resources and fund balances	\$ 215,385	\$ 306,847	\$ 430,016	\$ 1,455,565	\$ 3,865,016	\$ 348,875

(Continued)

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Capital Projects Funds					Permanent		Total Nonmajor Governmental Funds
	WPCA Development	WPCA	WPCA Joint Facilities	Public Water System	Total Capital Projects Funds	Library Trust	Interfund Eliminations	
<u>Assets</u>								
Cash	\$ -	\$ 955,150	\$ 310,824	\$ -	\$ 1,265,974	\$ -	\$ -	\$ 4,129,882
Investments	-	-	-	-	-	16,881	-	16,881
Receivables:								
Assessments and use charges	63,583	-	-	-	63,583	-	-	395,058
Intergovernmental	-	-	-	-	-	-	-	193,305
Loans	-	-	-	-	-	-	-	208,857
Other	-	-	117,500	-	117,500	-	-	322,380
Due from other funds	296,641	103,463	-	103,080	503,184	-	(647,580)	260,091
Other	-	-	-	-	-	-	-	6,979
Total assets	\$ 360,224	\$ 1,058,613	\$ 428,324	\$ 103,080	\$ 1,950,241	\$ 16,881	\$ (647,580)	\$ 5,533,433
<u>Liabilities</u>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,746
Due to other funds	-	-	-	-	-	-	(647,580)	475,437
Unearned revenue	-	-	-	-	-	-	-	217,578
Total liabilities	-	-	-	-	-	-	(647,580)	861,761
<u>Deferred Inflows of Resources</u>								
Unavailable revenues:								
Water charges	-	-	-	-	-	-	-	18,349
Loans	-	-	-	-	-	-	-	208,857
Sewer assessment and use charges	63,583	-	-	-	63,583	-	-	355,600
Total deferred inflows of resources	63,583	-	-	-	63,583	-	-	582,806
<u>Fund Balances</u>								
Nonspendable	-	-	-	-	-	15,500	-	15,500
Restricted	-	-	-	-	-	1,381	-	1,208,615
Committed	296,641	1,058,613	428,324	103,080	1,886,658	-	-	2,883,764
Unassigned	-	-	-	-	-	-	-	(19,013)
Total fund balances	296,641	1,058,613	428,324	103,080	1,886,658	16,881	-	4,088,866
Total liabilities, deferred inflows of resources and fund balances	\$ 360,224	\$ 1,058,613	\$ 428,324	\$ 103,080	\$ 1,950,241	\$ 16,881	\$ (647,580)	\$ 5,533,433

(Concluded)

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For The Year Ended June 30, 2017

	Special Revenue Funds					
	Water System	Public Safety	Culture and Recreation	School Cafeteria	Education Grant	Public Works
Revenues:						
Intergovernmental	\$ -	\$ -	\$ 322,389	\$ 178,023	\$ 1,067,197	\$ -
Charges for services	156,628	143,047	241,697	351,597	227,154	-
Income from investments	239	262	16	10	42	869
Contributions and donations	-	4,100	16,290	-	18,553	-
Miscellaneous	-	-	9,486	-	-	-
Total revenues	156,867	147,409	589,878	529,630	1,312,946	869
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	143,890	-	-	-	-
Public works and utilities	104,786	-	-	-	-	40,497
Culture and recreation	-	-	602,113	-	-	-
Civic and human services	-	-	-	-	-	-
Education	-	-	-	558,692	1,401,749	-
Debt service:						
Principal payments	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	104,786	143,890	602,113	558,692	1,401,749	40,497
Excess (deficiency) of revenues over expenditures	52,081	3,519	(12,235)	(29,062)	(88,803)	(39,628)
Other financing sources (uses):						
Transfers in	-	-	20,000	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	20,000	-	-	-
Net change in fund balances	52,081	3,519	7,765	(29,062)	(88,803)	(39,628)
Fund balances - July 1, 2016	56,651	127,610	130,850	128,416	607,902	195,519
Fund balances - June 30, 2017	\$ 108,732	\$ 131,129	\$ 138,615	\$ 99,354	\$ 519,099	\$ 155,891

(Continued)

Town of East Hampton, Connecticut
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For The Year Ended June 30, 2017

	Special Revenue Funds					Debt Service
	Community Development	Miscellaneous Grants	WPCA Joint Facilities	WPCA Operating	Total Special Revenue Funds	Debt Service
Revenues:						
Intergovernmental	\$ 113,723	\$ 34,441	\$ -	\$ -	\$ 1,715,773	\$ -
Charges for services	-	47,142	971,127	1,353,640	3,492,032	-
Income from investments	15	179	48	2,694	4,374	1,010
Contributions and donations	-	17,311	-	-	56,254	-
Miscellaneous	-	-	28	-	9,514	-
Total revenues	113,738	99,073	971,203	1,356,334	5,277,947	1,010
Expenditures:						
Current:						
General government	114,834	-	-	-	114,834	171,388
Public safety	-	-	-	-	143,890	-
Public works and utilities	-	-	622,552	1,122,078	1,889,913	-
Culture and recreation	-	-	-	-	602,113	-
Civic and human services	-	94,370	-	-	94,370	-
Education	-	-	-	-	1,960,441	-
Debt service:						
Principal payments	-	-	30,293	-	30,293	-
Capital outlay	-	-	-	-	-	-
Total expenditures	114,834	94,370	652,845	1,122,078	4,835,854	171,388
Excess (deficiency) of revenues over expenditures	(1,096)	4,703	318,358	234,256	442,093	(170,378)
Other financing sources (uses):						
Transfers in	-	-	-	-	20,000	37,500
Transfers out	-	-	(150,000)	(25,000)	(175,000)	-
Total other financing sources (uses)	-	-	(150,000)	(25,000)	(155,000)	37,500
Net change in fund balances	(1,096)	4,703	168,358	209,256	287,093	(132,878)
Fund balances - July 1, 2016	7,624	47,669	206,428	408,578	1,917,247	113,865
Fund balances - June 30, 2017	\$ 6,528	\$ 52,372	\$ 374,786	\$ 617,834	\$ 2,204,340	\$ (19,013)

(Continued)

Town of East Hampton, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For The Year Ended June 30, 2017

	Capital Projects Funds				Permanent		Total Nonmajor Governmental Funds	
	WPCA Development	WPCA	WPCA Joint Facilities	Public Water System	Total Capital Projects Funds	Library Trust	Interfund Eliminations	
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,715,773
Charges for services	66,495	-	-	-	66,495	-	-	3,558,527
Income from investments	1,817	4,855	1,401	-	8,073	345	-	13,802
Contributions and donations	-	-	117,500	-	117,500	-	-	173,754
Miscellaneous	-	-	-	-	-	-	-	9,514
Total revenues	68,312	4,855	118,901	-	192,068	345	-	5,471,370
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	286,222
Public safety	-	-	-	-	-	-	-	143,890
Public works and utilities	-	-	-	-	-	-	-	1,889,913
Culture and recreation	-	-	-	-	-	-	-	602,113
Civic and human services	-	-	-	-	-	-	-	94,370
Education	-	-	-	-	-	-	-	1,960,441
Debt service:								
Principal payments	-	-	-	-	-	-	-	30,293
Capital outlay	-	-	143,555	-	143,555	-	-	143,555
Total expenditures	-	-	143,555	-	143,555	-	-	5,150,797
Excess (deficiency) of revenues over expenditures	68,312	4,855	(24,654)	-	48,513	345	-	320,573
Other financing sources (uses):								
Transfers in	-	25,000	267,500	-	292,500	-	(292,500)	57,500
Transfers out	-	(117,500)	-	-	(117,500)	-	292,500	-
Total other financing sources (uses)	-	(92,500)	267,500	-	175,000	-	-	57,500
Net change in fund balances	68,312	(87,645)	242,846	-	223,513	345	-	378,073
Fund balances - July 1, 2016	228,329	1,146,258	185,478	103,080	1,663,145	16,536	-	3,710,793
Fund balances - June 30, 2017	\$ 296,641	\$ 1,058,613	\$ 428,324	\$ 103,080	\$ 1,886,658	\$ 16,881	\$ -	\$ 4,088,866

(Concluded)

Internal Service Funds

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

Dental Insurance Fund

To account for self-insured dental benefits for Town and Board of Education employees.

Board of Education Retiree Benefits Fund

To account for medical and other benefits for Board of Education retirees.

Town of East Hampton, Connecticut

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For The Year Ended June 30, 2017

	Dental Insurance	Board of Education Retiree Benefits	Interfund Eliminations	Total
Operating expenses:				
Claims	\$ 8,538	\$ -	\$ -	\$ 8,538
Administration	-	1,000	-	1,000
Total operating expenses	8,538	1,000	-	9,538
Income(loss) before transfers	(8,538)	(1,000)	-	(9,538)
Transfers:				
Transfers in	-	10,643	(10,643)	-
Transfers out	(41,444)	-	10,643	(30,801)
Change in net position	(49,982)	9,643	-	(40,339)
Total net position - July 1, 2016	49,982	197,500	-	247,482
Total net position - June 30, 2017	\$ -	\$ 207,143	\$ -	\$ 207,143

Town of East Hampton, Connecticut

Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended June 30, 2017

	Dental Insurance	Retiree Benefits	Total
Cash flows from operating activities:			
Cash received for charges for services	\$ 139	\$ -	\$ 139
Cash paid for benefits and claims	(46,152)	-	(46,152)
Cash paid for administration	-	(10,643)	(10,643)
Net cash provided by (used in) operating activities and net increase (decrease) in cash	(46,013)	(10,643)	(56,656)
Cash flows from noncapital financing activities:			
Transfers from other funds	-	10,643	10,643
Transfers to other funds	(41,444)	-	(41,444)
Net cash provided by (used in) noncapital financing activities and net increase (decrease) in cash	(41,444)	10,643	(30,801)
Net increase (decrease) in cash	(87,457)	-	(87,457)
Cash - July 1, 2016	87,457	-	87,457
Cash - June 30, 2017	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (8,538)	\$ (1,000)	\$ (9,538)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
(Increase) decrease in:			
Due from other funds	139	(9,643)	(9,504)
Increase (decrease) in:			
Claims payable	(37,614)	-	(37,614)
Net cash provided by (used in) operating activities	\$ (46,013)	\$ (10,643)	\$ (56,656)

Fiduciary Funds

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

Agency Fund

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Town of East Hampton, Connecticut

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Assets</u>				
Cash:				
Student Activity Fund	\$ 427,262	\$ 521,432	\$ 546,766	\$ 401,928
Developer Bond Fund	66,561	3,006	-	69,567
Total Cash	493,823	524,438	546,766	471,495
Investments:				
Volunteer Firemen Award Fund	1,055,653	96,818	-	1,152,471
Due from other funds:				
Developer Bond Fund	9,950	-	7,200	2,750
Total Assets	\$ 1,559,426	\$ 621,256	\$ 553,966	\$ 1,626,716
<u>Liabilities</u>				
Accounts payable:				
Student Activity Fund	\$ 427,262	\$ 521,432	\$ 546,766	\$ 401,928
Developer Bond Fund	76,511	3,006	7,200	72,317
Volunteer Firemen Award Fund	1,055,653	96,818	-	1,152,471
Total Liabilities	\$ 1,559,426	\$ 621,256	\$ 553,966	\$ 1,626,716

Statistical Section

This part of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents

Financial Trends (Tables 1 - 4)

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity (Tables 5 - 7)

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity (Tables 8 - 11)

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 12 - 15)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information (Tables 16-17)

These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

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

Town of East Hampton, Connecticut

Net Position by Component
Last Ten Years
(Unaudited)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 92,409,066	\$ 84,059,272	\$ 76,685,651	\$ 71,600,194	\$ 69,287,816	\$ 70,148,958	\$ 67,987,584	\$ 66,932,674	\$ 63,685,094	\$ 58,473,214
Restricted	1,224,115	824,233	638,069	1,743,119	2,241,000	3,183,000	3,031,388	3,026,010	16,261	16,105
Unrestricted	1,216,719	1,216,719	6,222,350	4,881,503	11,940,565	8,359,229	8,466,520	7,425,994	12,008,857	16,721,792
Total Net Position	\$ 94,849,900	\$ 86,100,224	\$ 83,546,070	\$ 78,224,816	\$ 83,469,381	\$ 81,691,187	\$ 79,485,492	\$ 77,384,678	\$ 75,710,212	\$ 75,211,111

Table 2

Town of East Hampton, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

	Fiscal Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
General government	\$ 3,548,663	\$ 3,257,116	\$ 2,847,076	\$ 2,607,793	\$ 2,663,044	\$ 2,447,985	\$ 2,443,122	\$ 3,175,055	\$ 3,843,123	\$ 2,806,092
Public safety	3,801,189	3,391,168	3,150,700	2,941,474	2,618,870	2,823,334	2,737,441	2,882,654	2,786,364	2,429,211
Civic and human services	665,153	509,796	1,032,383	727,068	458,228	436,539	362,272	477,033	997,140	368,356
Public works and utilities	6,005,994	6,207,110	6,445,962	5,188,262	5,297,481	5,364,060	5,325,891	4,792,395	5,373,203	5,173,124
Education	40,207,125	34,928,883	33,265,577	33,743,421	32,105,361	31,579,590	31,018,794	29,863,970	29,344,735	34,711,774
Regulatory	477,104	567,332	509,982	458,302	436,731	424,570	509,982	647,805	465,619	405,373
Culture and recreation	1,930,354	1,729,557	1,539,637	1,654,876	1,303,462	1,439,916	1,366,556	1,440,829	1,354,708	1,386,344
Interest on long-term debt	791,832	611,498	89,742	284,456	196,684	259,279	312,259	368,987	419,369	450,205
Total Expenses	57,427,414	51,202,460	48,881,059	47,605,652	45,079,861	44,775,273	44,076,317	43,649,728	44,586,261	47,730,479
Program Revenues:										
Charges for services:										
General government	378,462	354,803	334,535	330,789	331,161	307,991	310,197	314,490	331,000	444,108
Public safety	156,255	172,264	175,584	82,916	87,190	77,903	48,487	199,872	306,825	61,697
Civic and human services	1,800	975	1,274	1,250	975	550	525	850	900	11,472
Public works and utilities	2,591,122	2,460,626	2,199,579	2,190,984	2,153,810	2,166,724	2,116,544	2,108,720	2,076,501	2,638,709
Education	578,751	575,870	591,855	462,261	454,627	501,103	517,287	580,766	498,749	468,912
Regulatory	185,851	201,477	156,507	146,059	107,721	110,638	95,970	170,035	109,184	257,085
Culture and recreation	257,926	266,383	210,777	206,256	196,679	209,251	218,155	231,110	247,327	512,574
Operating grants and contributions	15,417,882	13,052,314	11,819,345	13,204,237	12,414,880	12,786,216	12,786,945	12,048,503	12,133,613	18,389,367
Capital grants and contributions	6,608,161	10,431,742	6,813,942	1,570,666	981,075	1,422,995	496,965	1,196,987	1,368,159	-
Total Program Revenues	26,176,210	27,516,454	22,303,398	18,195,418	16,728,118	17,583,371	16,591,095	16,851,333	17,072,258	22,783,924
Net expenses	(31,251,204)	(23,686,006)	(26,577,661)	(29,410,234)	(28,351,743)	(27,191,902)	(27,485,222)	(26,797,395)	(27,514,003)	(24,946,555)
General Revenues:										
Property taxes	33,287,819	32,164,130	31,378,784	30,545,568	29,729,485	29,054,004	29,078,949	27,760,475	27,202,929	25,868,511
Grants and contributions not restricted to specific programs	410,559	152,200	237,767	218,407	227,704	229,541	251,865	264,189	359,057	425,663
Investment income	70,147	102,101	236,524	37,313	65,317	47,794	80,509	142,627	230,040	521,414
Miscellaneous	26,682	27,402	45,840	112,659	107,431	66,258	174,713	304,570	221,078	21,225
Total General Revenues	33,795,207	32,445,833	31,898,915	30,913,947	30,129,937	29,397,597	29,586,036	28,471,861	28,013,104	26,836,813
Change in Net Position	\$ 2,544,003	\$ 8,759,827	\$ 5,321,254	\$ 1,503,713	\$ 1,778,194	\$ 2,205,695	\$ 2,100,814	\$ 1,674,466	\$ 499,101	\$ 1,890,258

Table 3

Town of East Hampton, Connecticut

Fund Balances, Governmental Funds
Last Ten Years
(Unaudited)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,550	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	1,687	1,888
Unassigned	5,263,469	4,959,395	5,064,400	4,872,509	4,873,812	4,365,605	4,350,654	4,083,407	4,592,586	4,569,543
Total General Fund	5,263,469	4,959,395	5,064,400	4,872,509	4,873,812	4,581,155	4,350,654	4,083,407	4,594,273	4,571,431
All Other Governmental Funds:										
Nonspendable	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500	15,500
Restricted	1,208,615	808,733	622,569	1,727,619	2,225,500	3,167,500	3,015,888	3,010,510	5,817,523	6,242,711
Committed	5,163,325	5,699,789	13,528,022	5,912,955	5,748,389	3,332,988	3,183,240	3,007,118	842,102	58,005
Assigned	-	113,865	169,130	232,188	358,538	435,709	495,906	612,475	372,333	345,317
Unassigned	(19,013)	(26,062)	-	-	-	(320,066)	(2,615)	(5,976)	-	-
Total All Other Governmental Funds	6,368,427	6,611,825	14,335,221	7,888,262	8,347,927	6,631,631	6,707,919	6,639,627	7,047,458	6,661,533
Grand Total	\$ 11,631,896	\$ 11,571,220	\$ 19,399,621	\$ 12,760,771	\$ 13,221,739	\$ 11,212,786	\$ 11,058,573	\$ 10,723,034	\$ 11,641,731	\$ 11,232,964

Table 4

Town of East Hampton, Connecticut
Changes in Fund Balances, Governmental Funds
Last Ten Years
(Unaudited)

	Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Property taxes	\$ 33,583,829	\$ 31,981,176	\$ 31,199,130	\$ 30,227,688	\$ 29,330,074	\$ 29,094,729	\$ 28,900,523	\$ 27,402,725	\$26,977,875	\$25,728,961
Intergovernmental	22,108,968	23,439,452	18,833,229	14,949,740	13,767,049	14,596,871	13,534,992	13,427,456	13,476,892	19,412,152
Charges for services	4,152,828	3,957,917	3,598,131	3,319,868	3,340,273	3,367,972	3,268,668	3,620,840	3,507,029	3,959,904
Income from investments	70,147	102,101	236,524	37,313	65,317	47,794	80,509	142,627	213,850	956,667
Contributions and donations	173,754	53,434	181,098	63,714	22,581	12,958	45,691	34,949	43,480	14,973
Miscellaneous	26,682	27,402	45,840	103,238	107,431	66,258	174,713	304,570	221,078	121,332
Total Revenues	60,116,208	59,561,482	54,093,952	48,701,561	46,632,725	47,186,582	46,005,096	44,933,167	44,440,204	50,193,989
Expenditures:										
Current:										
General government	4,698,857	3,904,068	3,711,488	3,555,998	3,588,818	3,371,103	4,003,971	3,894,843	3,561,676	3,492,675
Public safety	2,917,696	2,577,012	2,458,595	2,385,843	2,301,579	2,391,197	2,271,331	2,556,133	2,367,533	2,064,890
Public works and utilities	5,906,007	5,056,247	5,232,672	3,932,921	4,173,659	4,138,647	4,215,334	5,213,454	4,501,875	4,203,271
Culture and recreation	1,599,904	1,289,322	1,254,488	1,392,707	1,188,691	1,236,785	1,166,176	1,185,665	1,166,392	1,311,823
Civic and human services	561,431	420,828	977,274	679,756	416,126	395,823	556,741	376,385	353,640	597,669
Regulatory	323,558	422,147	368,205	378,159	364,173	359,986	430,430	449,453	393,412	321,864
Education	36,743,208	33,759,174	32,500,120	32,790,124	31,188,500	30,824,266	30,324,038	29,023,145	28,405,370	34,166,701
Debt service:										
Principal	1,944,738	866,085	1,171,716	914,545	977,727	998,844	1,442,383	1,655,951	1,669,547	2,081,470
Interest	936,730	232,302	158,256	191,774	224,294	257,686	300,219	333,558	483,480	403,298
Capital outlay	11,326,553	25,850,728	16,204,393	3,730,812	3,369,141	3,000,532	958,934	1,163,277	4,129,702	620,777
Total Expenditures	66,958,682	74,377,913	64,037,207	49,952,639	47,792,708	46,974,869	45,669,557	45,851,864	47,032,627	49,264,438
Excess (Deficiency) of Revenues Over Expenditures	(6,842,474)	(14,816,431)	(9,943,255)	(1,251,078)	(1,159,983)	211,713	335,539	(918,697)	(2,592,423)	929,551
Other Financing Sources (Uses):										
Issuance of debt	6,700,000	4,810,000	16,415,000	745,000	3,140,000	-	-	-	2,985,000	-
Premium	-	1,116,024	167,105	35,689	28,936	-	-	-	16,190	-
Capital lease proceeds	172,349	1,062,006	-	-	-	-	-	-	-	-
Sale of equipment	-	-	-	9,421	-	-	-	-	-	-
Transfers in	1,386,850	1,601,414	1,040,795	1,783,900	1,015,868	1,704,661	1,164,500	1,804,763	1,612,226	1,513,973
Transfers out	(1,356,049)	(1,601,414)	(1,040,795)	(1,783,900)	(1,015,868)	(1,762,161)	(1,164,500)	(1,804,763)	(1,612,226)	(1,513,973)
Net Other Financing Sources (Uses)	6,903,150	6,988,030	16,582,105	790,110	3,168,936	(57,500)	-	-	3,001,190	-
Net Change in Fund Balances	\$ 60,676	\$ (7,828,401)	\$ 6,638,850	\$ (460,968)	\$ 2,008,953	\$ 154,213	\$ 335,539	\$ (918,697)	\$ 408,767	\$ 929,551
Debt Service as a Percentage of Noncapital Expenditures	5.39%	2.29%	2.79%	2.40%	2.72%	2.72%	3.93%	4.68%	12.33%	5.14%

Table 5**Town of East Hampton, Connecticut**

**Assessed and Estimated Actual Value of Taxable Property
Last Ten Years
(Unaudited)**

Year Ended June 30	Real Estate		Personal Property		Total		Percentage of Total Assessed Value to Total Estimated Value	(1) Total Direct Tax Rate
	Net Assessed Value	Estimated Value	Net Assessed Value	Estimated Value	Net Assessed Value	Estimated Value		
2008	\$ 985,459,600	\$ 1,407,799,429	\$ 110,538,107	\$ 157,911,581	\$ 1,095,997,707	\$ 1,565,711,010	70.00%	23.30
2009	1,010,910,310	1,444,157,586	113,728,362	162,469,089	1,124,638,672	1,606,626,674	70.00%	23.81
2010	1,024,849,850	1,464,071,214	115,963,214	165,661,734	1,140,813,064	1,629,732,949	70.00%	24.01
2011	1,031,071,297	1,472,958,996	116,389,556	166,270,794	1,147,460,853	1,639,229,790	70.00%	24.98
2012	997,694,577	1,425,277,967	116,989,453	167,127,790	1,114,684,030	1,592,405,757	70.00%	25.68
2013	1,001,807,950	1,431,154,214	123,855,863	176,936,947	1,125,663,813	1,608,091,161	70.00%	25.97
2014	1,005,402,915	1,436,289,879	122,101,568	174,430,811	1,127,504,483	1,610,720,690	70.00%	26.63
2015	1,011,357,214	1,444,796,020	123,287,597	176,125,139	1,134,644,811	1,620,921,159	70.00%	27.14
2016	1,015,087,787	1,450,125,410	125,225,394	178,893,420	1,140,313,181	1,629,018,830	70.00%	27.78
2017	995,161,525	1,421,659,321	127,747,940	182,497,057	1,122,909,465	1,604,156,378	70.00%	29.44

Source: Town of East Hampton, Assessor's Office

(1) There are no overlapping governments or tax rates.

Table 6

Town of East Hampton, Connecticut

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Name	Nature of Business	2017			2008		
		Assessed Value	Rank	Percentage Net Taxable Grand List (1)	Assessed Value	Rank	Percentage Net Taxable Grand List (1)
CT Light & Power Co.	Utility	\$ 17,595,460	1	1.54%	\$ 11,604,380	1	1.10%
Landmark East Hampton LLC	Mall Real Estate	7,521,320	2	0.66%	7,390,030	2	0.70%
Hampton 66 LLC	Real Estate Developer	3,986,710	3	0.35%	-	-	-
East High Street Realty	Real Estate	2,873,680	4	0.25%	-	-	-
Skyline Estates LLC	Real Estate Developer	2,555,560	5	0.22%	-	-	-
American Distilling	Manufacturer	3,745,910	6	0.33%	2,971,880	6	0.28%
Global Self Storage	Commercial Real Estate	2,404,770	7	0.21%	-	-	-
Pauls & Sandys Too, Inc.	Real Estate - Commercial/Farm	2,079,420	8	0.18%	-	-	-
Edgewater Hill Properties LLC	Real Estate Developer	1,516,140	9	0.13%	-	-	-
Noslen, Inc./Gustine Family Ltd	Campground	1,731,860	10	-	2,021,930	10	0.19%
Z Incorporated	Convalescent Home	-	-	0.00%	-	-	-
Shaws Supermarket	Supermarket	-	-	-	3,125,000	5	0.30%
William W. Rand & Companies	Real Estate Developer	-	-	-	5,723,450	3	0.54%
Royal Oaks LLC / Tarragon Dev. LLC	Real Estate Developer	-	-	-	3,157,050	4	0.30%
Dream Developers of Cape Cod Inc.	Real Estate Developer	-	-	-	2,902,483	7	0.27%
Nichols Bus Service, Inc.	Bus Company	-	-	-	2,773,230	8	0.26%
Quantum of East Hampton LLC	Real Estate Developer	-	-	-	2,220,530	9	0.21%
Totals		<u>\$ 46,010,830</u>		<u>3.89%</u>	<u>\$ 43,889,963</u>		<u>4.20%</u>

Source: Assessor's Office, Town of East Hampton

(1) Based on October 1, 2015 and 2006 net taxable Grand List of \$1,122,909,465 and \$1,095,997,707, respectively.

Table 7**Town of East Hampton, Connecticut****Tax Rates, Levies and Cash Collections
Last Ten Years
(Unaudited)**

Year Ended June 30	Mill Rate	(1) Total Adjusted Tax Levy	Net Current Levy Tax Collections	Percentage of Current Taxes Collected	Collections in Subsequent Years	Total Collections	Percent of Levy Collected	Current Delinquent Balance
2008	23.30	\$ 25,712,774	\$ 25,357,394	98.62%	\$ 352,891	\$ 25,710,285	99.99%	\$ 2,489
2009	23.81	26,925,160	26,429,212	98.16%	484,648	26,913,860	99.96%	11,300
2010	24.01	27,458,502	26,889,271	97.93%	545,011	27,434,282	99.91%	24,220
2011	24.98	28,730,903	28,141,090	97.95%	538,862	28,679,952	99.82%	50,951
2012	25.68	28,705,137	28,141,477	98.04%	464,173	28,605,650	99.65%	99,487
2013	25.97	29,347,660	28,659,192	97.65%	561,789	29,220,981	99.57%	126,679
2014	26.63	30,178,771	29,481,088	97.69%	523,623	30,004,711	99.42%	174,060
2015	27.14	30,951,102	30,345,144	98.04%	358,921	30,704,065	99.20%	247,037
2016	27.78	31,836,966	31,191,920	97.97%	329,518	31,521,438	99.01%	315,528
2017	29.44	33,204,218	32,674,062	98.40%	-	32,674,062	98.40%	530,156

(1) Adjusted tax levy equals the tax levy after lawful corrections, abatements and transfers to suspense.

NOTE: There are no overlapping of tax rates.

Source: Town of East Hampton Tax office

Table 8

Town of East Hampton, Connecticut

Ratios of Outstanding Debt By Type
Last Ten Years
(Unaudited)

Year Ended June 30	General Obligation Bonds and Notes	Clean Water Notes	Premiums	Capital Leases	Total	Percentage of Personal Income	Per Capita
2008	\$ 8,610,000	\$ 586,063	\$ 85,629	\$ -	\$ 9,281,692	1.05%	\$ 740
2009	9,995,000	516,516	75,223	-	10,586,739	1.22%	844
2010	8,410,000	445,565	64,926	-	8,920,491	0.95%	699
2011	7,040,000	373,182	54,575	-	7,467,757	0.79%	574
2012	6,115,000	299,338	44,224	-	6,458,562	0.68%	497
2013	8,340,000	236,611	33,873	-	8,610,484	0.88%	665
2014	8,250,000	210,815	57,425	-	8,518,240	0.84%	660
2015	23,625,000	184,498	47,202	-	23,856,700	2.38%	1,853
2016	27,715,000	157,650	1,065,479	976,617	29,914,746	2.99%	2,327
2017	32,710,000	130,260	1,008,544	922,978	34,771,782	2.80%	2,181

(1) There is no overlapping debt for the Town.

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

Table 9**Town of East Hampton, Connecticut****Ratios of General Bonded Debt Outstanding
Last Ten Years
(Unaudited)**

General Obligation Debt Outstanding (1)							
Year Ended June 30	General Obligation Bonds and BANs	Premiums	Total	Percentage of Actual Taxable Value of Property	Per Capita		
2008	\$ 8,610,000	\$ 85,629	\$ 8,695,629	0.59%	\$ 693		
2009	9,995,000	75,223	10,070,223	0.66%	803		
2010	8,410,000	64,926	8,474,926	0.55%	664		
2011	7,040,000	54,575	7,094,575	0.46%	546		
2012	6,115,000	44,224	6,159,224	0.41%	474		
2013	8,340,000	33,873	8,373,873	0.54%	647		
2014	8,250,000	57,425	8,307,425	0.53%	643		
2015	23,625,000	47,202	23,672,202	1.46%	1,839		
2016	27,715,000	1,065,479	28,780,479	1.77%	2,238		
2017	32,710,000	1,008,544	33,718,544	2.10%	2,171		

(1) There is no overlapping debt for the Town.

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

Town of East Hampton, Connecticut

Schedule of Debt Limitation
Connecticut Statutes, Section 7-374(b)
June 30, 2017
(Unaudited)

Tax base:

Total tax collections (including interest and lien fees) \$ 33,607,391

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
<u>Debt limitation:</u>					
2 1/4 times base	\$ 75,616,630	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	151,233,260	-	-	-
3 3/4 times base	-	-	126,027,716	-	-
3 1/4 times base	-	-	-	109,224,021	-
3 times base	-	-	-	-	100,822,173
Total limitations	75,616,630	151,233,260	126,027,716	109,224,021	100,822,173
<u>Indebtedness:</u>					
Bonds/notes	5,832,000	26,878,000	130,260	-	-
Bond anticipation notes	-	300,000	-	-	-
Net indebtedness	5,832,000	27,178,000	130,260	-	-
Debt limitation in excess of outstanding debt	\$ 69,784,630	\$ 124,055,260	\$ 125,897,456	\$ 109,224,021	\$ 100,822,173

The total net indebtedness above amounts to: \$ 33,140,260

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 235,251,737

There is no overlapping debt for the Town.

Town of East Hampton, Connecticut

Legal Debt Margin Information
Last Ten Years
(Unaudited)

Year Ended June 30	Debt Limit	Net Debt Applicable To Limit	Legal Debt Margin	Total Net Debt Applicable
2008	\$ 180,607,840	\$ 9,183,692	\$ 171,424,148	5.08%
2009	188,416,039	10,511,516	177,904,523	5.58%
2010	191,450,035	7,924,285	183,525,750	4.14%
2011	201,940,109	6,912,469	195,027,640	3.42%
2012	203,328,377	6,084,708	197,243,699	2.99%
2013	204,978,284	8,807,952	196,170,332	4.30%
2014	211,140,356	8,317,300	202,823,056	3.94%
2015	218,324,484	23,809,256	194,515,228	10.91%
2016	223,149,794	32,872,650	190,277,144	14.73%
2017	235,251,737	33,140,260	202,111,477	14.09%

Table 12

Town of East Hampton, Connecticut

Demographic and Economic Statistics
Last Ten Years
(Unaudited)

Year Ended June 30	(1) Population	Personal Income	(4) Median Household Income	(3) Per Capita Income	(4) Median Age	(4) Education Level in Years of Formal Schooling	(2) School Enrollment	(3) Unemployment Rate
2008	12,548	\$ 70,610	\$ 87,173	\$ 35,911	32	N/A	2,073	5.80%
2009	12,548	69,062	85,262	36,879	32	30% Bachelor Degree or more	2,064	7.70%
2010	12,766	73,281	90,470	36,115	32	30% Bachelor Degree or more	2,002	8.70%
2011	12,999	73,160	82,529	32,187	32	33% Bachelor Degree or more	1,944	9.60%
2012	12,989	73,274	90,539	39,293	39.9	37% Bachelor Degree or more	1,928	7.50%
2013	12,940	75,492	91,770	38,149	40	39% Bachelor Degree or more	1,882	7.50%
2014	12,912	78,750	93,083	40,017	41	40% Bachelor Degree or more	1,839	4.80%
2015	12,874	77,917	109,915	42,794	41	40% Bachelor Degree or more	1,830	4.00%
2016	12,858	77,813	96,066	43,207	42	42% Bachelor Degree or more	1,888	5.00%
2017	12,869	78,002	96,299	45,836	45	39% Bachelor Degree or more	1,880	4.30%

(1) Source: State of Connecticut, Department of Health Services, US Census.

(2) Town of East Hampton, Board of Education.

(3) Department of Labor, State of Connecticut.

(4) Connecticut Economic Resource Center.

N/A - Information not available

Table 13**Town of East Hampton, Connecticut**

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Town of East Hampton	375	1	19.76%	342	1	17.72%
Stop & Shop Supermarket	150	2	7.90%	-		-
Shaws supermarket				152	2	
Cobalt Lodge	74	3	3.90%	74	3	3.83%
Eversource Energy	50	4	2.63%	50	4	2.59%
American Distilling	50	5	2.63%	50	5	2.59%
Paul's & Sandy's Too Inc.	35	6	1.84%	14	8	0.73%
United State Postal Service	31	7	1.63%	30	6	1.55%
Dattco, Inc.	30	8	1.58%	-		-
Bevin Brothers	18	9	0.95%	23	7	1.19%
TOTAL	813		42.83%	735		38.09%

Source: Connecticut Department of Labor

Note: All other employers have less than 10 employees.

Table 14

Town of East Hampton, Connecticut

Full-Time Equivalent Town Government Employees by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Administrative and General Government</u>										
Town Clerk	2.0	2.0	2.0	2.5	2.5	2.5	2.5	3.0	3.0	3.0
Town Manager's Office	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Registrar of Voters	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Town Planning and Zoning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	3.0
Human Resources	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0
Facilities / Building Maintenance	1.0	1.0	1.0	1.0	3.0	3.5	3.3	3.3	3.3	3.3
Information Technology	1.0	1.0								
<u>Finance</u>										
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Assessor	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Tax Collector	2.5	2.5	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0
<u>Public Safety</u>										
Fire Marshal	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	1.0
Police	18.0	17.0	17.0	17.0	17.0	17.0	17.0	19.0	19.0	19.0
Animal Control	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Emergency Communications Center	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Public Works</u>										
Public Works Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Works Operations	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Water Pollution Control	10.5	10.5	10.5	10.5	10.5	11.0	11.0	11.0	11.0	10.0
<u>Health, Social and Senior Services</u>										
Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social and Human Services	1.0	1.0	1.0	1.0	1.3	1.3	1.3	1.3	1.5	1.5
Senior Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<u>Library</u>	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5	7.5	7.5
<u>Recreation</u>										
Parks and Recreation	5.5	5.5	5.0	5.0	5.0	5.5	5.2	5.2	5.0	5.0
Grand Total	85.0	84.0	83.5	84.0	86.3	87.8	87.8	90.3	90.3	87.8

Source: Town Human Resources Department.

Table 15

Town of East Hampton, Connecticut

Full-Time Equivalent Employees by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Town</u>										
Administrative and General Government	13.50	13.50	12.50	13.00	15.00	15.50	15.30	16.30	16.30	14.30
Finance	10.00	10.00	10.00	10.00	10.00	10.00	10.50	10.50	10.50	10.50
Public Safety	18.50	17.50	18.50	18.50	18.50	18.50	18.50	20.50	20.50	21.00
Public Works	26.50	26.50	26.50	26.50	26.50	27.00	27.00	27.00	27.00	26.00
Health, Social and Senior Services	3.00	3.00	3.00	3.00	3.30	3.30	3.30	3.30	3.50	3.50
Library	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.50	7.50	7.50
Recreation	5.50	5.50	5.00	5.00	5.00	5.50	5.20	5.20	5.00	5.00
Total	85.00	84.00	83.50	84.00	86.30	87.80	87.80	90.30	90.30	87.80
<u>Board of Education</u>										
Certified	173.00	172.00	175.00	176.40	175.40	174.00	177.00	177.00	180.00	176.00
Non-Certified	119.00	119.00	125.00	126.00	126.00	126.00	123.00	123.00	123.00	115.00
Total	292.00	291.00	300.00	302.40	301.40	300.00	300.00	300.00	303.00	291.00
Total	377.00	375.00	383.50	386.40	387.70	387.80	387.80	390.30	393.30	378.80

Source: Town and Board of Education Human Resource Departments.

Table 16

Town of East Hampton, Connecticut
Operating Indicators by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public safety										
Fire										
Incidents	302	318	351	350	413	445	400	334	323	361
Fire Marshall Inspections	151	214	179	193	174	133	206	226	258	277
Police										
Criminal arrests	130	141	166	139	144	129	247	177	210	170
Parking violations	-	2	15	15	1	2	9	-	12	9
Citations	178	248	343	207	133	418	228	380	293	232
Public works										
Street resurfacing (paved miles)	6.06	8	10	-	5.12	7.90	6.00	6.15	10.59	-
Storm drains cleaned	887	756	1,055	972	-	300	1,024	356	940	1,029
Parks and recreation										
Sessions / Classes	328	279	241	228	285	220	200	225	275	325
Program enrollments	3,987	3,958	3,002	3,536	2,469	1,978	3,040	2,562	3,772	4,000
Library										
Volumes in collection	80,040	78,383	78,403	69,908	69,908	72,543	70,104	74,721	74,085	69,680
Total volumes borrowed	64,167 *	141,349	140,380	141,078	141,451	138,967	138,042	134,974	129,772	124,887
Education										
School enrollment	1,861	1,888	1,830	1,839	1,882	1,928	1,944	2,002	2,064	2,073

Source: Various Town Departments.

* The definition/method used to calculate total volumes borrowed has been revised.

Town of East Hampton, Connecticut
Capital Asset Statistics by Function/Program
Last Ten Years
(Unaudited)

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Parks and Recreation:										
Playgrounds	12	12	12	12	12	12	12	12	12	12
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer	4	4	4	4	4	4	4	4	4	4
Community centers	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Police department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	9	9	9	9	9	9	9	9	9	8
Public Works:										
Highway department										
Streets (miles)	91.6	91.6	91.3	91.1	91.1	91.1	90.8	90.4	90.0	88.5
Wastewater										
Sanitary sewers (miles)	42.96	42.96	42.96	42.96	42.96	42.96	42.96	42.96	42.96	40.38
Treatment capacity (thousands of gallons)	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Libraries:										
Number of public libraries	2	2	2	2	2	2	2	2	2	2
Education:										
High schools	1	1	1	1	1	1	1	1	1	1
Middle schools	1	1	1	1	1	1	1	1	1	1
Elementary schools	2	2	2	2	2	2	2	2	2	2

Source: Town capital asset records and various Town Departments.