

**TOWN OF EAST LYME, CONNECTICUT**

**FINANCIAL REPORT**

**June 30, 2012**



**TOWN OF EAST LYME, CONNECTICUT**

**FINANCIAL REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of East Lyme, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Lyme, Connecticut, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of East Lyme, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Lyme, Connecticut, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2013 on our consideration of the Town of East Lyme, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Lyme, Connecticut's basic financial statements. The supplemental and individual and combining fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental and individual and combining fund financial statements and other schedules have 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 and individual and combining fund financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*McGladrey LLP*

New Haven, Connecticut  
February 13, 2013

# Town of East Lyme, Connecticut Management's Discussion and Analysis June 30, 2012

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The management of the Town of East Lyme, Connecticut offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

## **Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the fiscal year by \$122.7 million (*net assets*).

The Town's total net assets decreased by \$1.68 million.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12.5 million, a decrease of \$1.2 million in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.8 million or 7.9% of total general fund budgeted expenditures and transfers out of \$60.5 million.

The Town's total bond/note debt decreased by \$3.7 million during the current fiscal year.

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

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

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

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Town include general government, public safety, public works, health, social services, recreation and education. The business-type activities of the Town include the waste-operating facility.

The government-wide financial statements can be found on pages 13 and 14 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The Town maintains eight individual 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, bonded projects fund and the sewer assessment fund, all of which are considered to be major funds. Data from the other five 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 elsewhere in the report.

**Proprietary Funds.** The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its Sewer Department. The internal service fund is an accounting device used to accumulate and allocate certain costs internally among the Town's various functions. The Town uses an internal service fund to account for its medical benefits for its employees. Because this service predominantly benefits governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Department. The Sewer Department is considered a major fund of the Town. Data for the internal service fund is also provided as a separate column in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has two agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic 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 progress in funding its obligation to provide benefits to its employees, and General Fund budgetary comparison information.

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

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. The Town's assets exceeded liabilities by \$122.7 million at the close of the fiscal year.

By far the largest portion of the Town's net assets (86.0%) 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.

### **TOWN OF EAST LYME, CONNECTICUT SUMMARY OF NET ASSETS JUNE 30, 2012 and 2011**

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 28,036	\$ 381	\$ 28,418	\$ 28,967	\$ 543	\$ 29,510
Capital assets	105,468	47,992	153,461	100,723	48,793	149,516
<b>Total Assets</b>	<b>133,504</b>	<b>48,374</b>	<b>181,878</b>	<b>129,690</b>	<b>49,336</b>	<b>179,026</b>
Other liabilities	9,128	34	9,163	9,004	56	9,060
Long-term liabilities	50,023	-	50,023	45,594	-	45,594
<b>Total Liabilities</b>	<b>59,151</b>	<b>34</b>	<b>59,186</b>	<b>54,598</b>	<b>56</b>	<b>54,654</b>
Net assets:						
Invested in capital assets, net of related debt	57,473	47,992	105,465	52,897	48,792	101,689
Restricted	3	-	3	-	-	-
Unrestricted	16,877	347	17,224	22,195	488	22,683
<b>Total Net Assets</b>	<b>\$ 74,353</b>	<b>\$ 48,339</b>	<b>\$ 122,693</b>	<b>\$ 75,092</b>	<b>\$ 49,280</b>	<b>\$ 124,372</b>

**TOWN OF EAST LYME, CONNECTICUT  
SUMMARY OF CHANGES IN NET ASSETS  
JUNE 30, 2012 and 2011**

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charge for services	\$ 8,423	\$ 1,566	\$ 9,989	\$ 8,496	\$ 1,571	\$ 10,067
Operating grants and contributions	12,895	-	12,895	11,491	-	11,491
Capital grants and contributions	577	-	577	1,085	-	1,085
<b>General Revenues:</b>						
Property Taxes	46,573	-	46,573	46,571	-	46,571
Grants, contributions not restricted to specific programs	1,285	-	1,285	1,476	-	1,476
Investment income	97	-	97	169	-	169
<b>Total Revenues</b>	<b>\$ 69,851</b>	<b>\$ 1,566</b>	<b>\$ 71,417</b>	<b>\$ 69,288</b>	<b>\$ 1,571</b>	<b>\$ 70,859</b>
<b>Expenses:</b>						
<b>Program Activities</b>						
<b>Primary Government:</b>						
General government	\$ 7,604	\$ -	\$ 7,604	\$ 7,604	\$ -	\$ 7,604
Public safety	3,633	-	3,633	3,481	-	3,481
Public works	6,120	-	6,120	5,878	-	5,878
Health and welfare	284	-	284	252	-	252
Culture and recreation	2,044	-	2,044	1,987	-	1,987
Education	49,301	-	49,301	47,745	-	47,745
Interest expense	1,456	-	1,456	1,523	-	1,523
<b>Business-Type Activities:</b>						
Sewer department	-	2,655	2,655	-	2,402	2,402
<b>Total Expenses</b>	<b>70,442</b>	<b>2,655</b>	<b>73,097</b>	<b>68,470</b>	<b>2,402</b>	<b>70,872</b>
Transfers in (out)	(148)	148	-	(206)	206	-
<b>Change in net assets</b>	<b>(739)</b>	<b>(941)</b>	<b>(1,680)</b>	<b>612</b>	<b>(625)</b>	<b>(13)</b>
<b>Net assets - beginning</b>	<b>75,092</b>	<b>49,280</b>	<b>124,372</b>	<b>74,480</b>	<b>49,905</b>	<b>124,385</b>
<b>Net assets - ending</b>	<b>\$ 74,353</b>	<b>\$ 48,339</b>	<b>\$ 122,692</b>	<b>\$ 75,092</b>	<b>\$ 49,280</b>	<b>\$ 124,372</b>

**Governmental Activities**

For governmental activities, 66.7% of the revenues were derived from property taxes, followed by 21.1% from intergovernmental revenues.

Major revenue factors included:

- There was a decrease of \$507 thousand in capital grants and contributions for Public Works which is the primary contributing factor of the \$.7 million, or .6% decrease in net assets by governmental activities.

For governmental activities, approximately 70.1% of the Town's expenses relate to education, 10.8% relate to general government, 8.7% relate to public works operations, 5.2% to public safety and the remaining 5.2% relate to interest expense, health and welfare, social services, recreation and miscellaneous.

Major expense factors include:

- Expenses were consistent with prior year activities.

### **Business-Type Activities**

Business-type activities (Sewer Department) decreased the Town's net assets by \$.9 million, or 1.9%. This decrease was due primarily to depreciation expense.

### **Financial Analysis of the Fund Financial Statements**

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4.8 million, while total fund balance reached \$5.9 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.9% of total general fund budgeted expenditures.

The fund balance for the Town's general fund increased by approximately \$0.6 million during the current fiscal year. A key factor in this is as follows:

- An increase in operating results due to more conservative revenue estimates and expenditures coming in below budget.

The Sewer Assessments fund balance decreased \$.8 million as a result of the transfer out to the general fund of \$1.9 million for the purpose of debt service.

The Bonded Project Fund decreased \$0.2 million due primarily to the completion of various capital projects.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Sewer Department at the end of the year were \$48.3 million, a decrease of \$.941 million over the prior year. Unrestricted net assets for the Sewer Department reflected \$.3 million of total net assets.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$.179 million.

During the year, actual revenues, including transfers in, were \$60.6 million, which was less than budgetary estimates by \$.7 million. Major contributors were:

Although we continue to experience changes in the economy, we proposed the 2011-12 fiscal year budget with more conservative estimates based upon trends of previous years in taxes, local license and permit fees, lower charges for services and interest rates.

- \$.5 million less due to unused fund balance.
- \$.5 million lower than estimated tax collections due to a continuing slow economy.
- \$.07 million less combined net effect for various local fee estimates.
- \$.2 million greater than estimated due to FEMA storm reimbursements

### **General Fund Budgetary Highlights**

#### **Expenditures**

Special appropriations during the year totaled \$179,143 as follows:

- \$17 thousand for Emergency Service NSEP Various Equipment Grant
- \$53 thousand for DUI Police overtime grant
- \$4 thousand for America the Beautiful Grant
- \$2 thousand for Police Overtime Grant
- \$102 thousand for Carry-over Purchase Orders

### **Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$153.4 million (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total net increase in the Town's investment in capital assets for the current fiscal year was \$3.9 million, an increase of 2.6%.

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

- Various town facility improvements.
- Road reconstruction and improvement projects.
- The third year implementation of a vehicle acquisition program in accordance with a fleet plan including dump trucks, Police cruisers an automated trash/recycling truck and pick-up trucks.
- Field Service Facility improvements completed.
- Acquisition of Darrow Pond Property.
- Capitalization of the additions to the water and sewer distribution systems.

**TOWN OF EAST LYME, CONNECTICUT  
CAPITAL ASSETS, NET OF DEPRECIATION  
JUNE 30, 2012 AND 2011**

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 13,308	\$ 608	\$ 13,916	\$ 8,994	\$ 608	\$ 9,602
Construction in progress	4,495	15	4,510	3,383	15	3,398
Water and Sewer distribution systems	11,085	43,861	54,946	11,536	44,577	56,113
Building and improvements	65,561	3,441	69,002	65,416	3,533	68,949
Vehicles	2,146	-	2,146	4,357	-	4,357
Machinery and equipment	4,107	67	4,174	2,189	60	2,249
Infrastructure	4,766	-	4,766	4,848	-	4,848
<b>Total</b>	<b>\$ 105,468</b>	<b>\$ 47,992</b>	<b>\$ 153,461</b>	<b>\$ 100,723</b>	<b>\$ 48,793</b>	<b>\$ 149,516</b>

Additional information on the Town's capital assets can be found in Note 4 of this report.

**Long-term Debt.** At the end of the current fiscal year, the Town has total bonded debt outstanding of \$39.8 million, all of which is backed by the full faith and credit of the Town government.

**TOWN OF EAST LYME, CONNECTICUT  
CHANGES IN TOWN DEBT  
JUNE 30, 2012 AND 2011**

	June 30, 2012			June 30, 2011		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 39,844	\$ -	\$ 39,844	\$ 43,528	\$ -	\$ 43,528

The Town's total bonded debt decreased by \$3.7 million during the 2012 fiscal year due to the scheduled payoff of debt during the fiscal year. The Town received a Moody's Investors Service rating of Aaa on the most recent bond issue. Additional information can be found in Note 7 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2013 budget tax rates, the primary factor being the economy. Unemployment in the Town is at 8.0% and 7.3% for 2011 and 2010. This compares with the State's average unemployment rate of 8.8% and 9.0% and is .8% lower than the New London County average rate of 8.8%.

### **Revenues**

The Town did not expect increases in State funding in a number of areas as detailed below and, thus, we were compelled to offset no growth not only with expenditure reductions but with an overall increase in taxes of \$.164 million (the grand list of 10/1/2011 was a revaluation year resulting in a 12.1% reduction). Significant revenue issues were as follows:

- Continued flat and declining State grant funding at levels without long-term inflationary growth.
- We adjusted various local fees collected based upon trend analysis in the building, planning and zoning departments and maintained conveyance taxes for the first time in three years.
- An increase of \$258 thousand for out-of-district tuition due to new special education programs keep East Lyme Students in district and bringing other students in district.
- A decrease in appropriation of fund balance of \$100 thousand as management is dedicated to increasing it's fund balance percentage.
- A decrease in investment earnings of \$7 thousand due to continuing decline in interest rates.
- A decrease of \$295 thousand, operating transfer-in from Sewer Assessment Fund due to retired debt service.

### **Expenditures**

The average wage increases for town employees was 2.5%, with increases allocated to beginning and mid-year year as a budget savings measure. Board of Education employees average wage increase was 3.0%.

The Board of Education requested a budget increase of \$1.1 million; the Board of Finance reduced the bottom line by \$.441 million to \$41.2 million. The Board of Finance was able to make this reduction working with the Board of Education and with the final Health Insurance renewal information. The Town has no authority to direct where those cuts will come, only the Board of Education can decide what line items will be altered.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year. During the current fiscal year, unassigned fund balance in the general fund increased to \$4.8 million. The Town did appropriate \$350,000 of fund balance for spending in the 2013 fiscal year budget.

Actual expenditures and transfers out on a budgetary basis totaled \$60.5 million.

Overall, the fiscal year 2012 – 2013 budget was increased \$.863 million or 1.41%. Town government increased \$201 thousand (1.3%) over fiscal year 2012, debt service decreased \$248 thousand (4.7%), and the Board of Education increased \$720 thousand (1.7%) from the prior year. Capital improvement expenditures were increased \$189 thousand (31.2%).

The following factors played a role in our setting the budget for fiscal year 2012 – 2013 both from a revenue and an expense point of view:

- The economic picture of slow, if any, growth, the uncertainty of State Aid to municipalities for fiscal year 2013 and in future fiscal years with the increased need to replace stagnant and declining State Aid and declining local revenues with property taxes.
- Emphasis was placed on maintaining existing public services and the prevailing quality-of-life within the town.
- Where possible, departmental operating costs have been kept to a bare minimum maintaining or decreasing the 2011/12 level of spending. Increases in operating costs are primarily due to health insurance premiums, contract issues, state mandates and the Capital Improvement Program.
- The Town of East Lyme's 2012/2013 budget totals \$62.2 million, which represents a 1.41% increase in expenditures from the fiscal year 2012 adopted budget. The Town's mill rate increased from 19.472 to 22.78 a 3.38 or a 1.7% increase. The increase in the mil rate is related to the town-wide revaluation effective with the October 1, 2011 grand list which resulted in a 12.1% decrease in the grand list. This represents a fiscally conservative and prudent approach to developing a Town-wide spending plan for the 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, 108 Pennsylvania Avenue, Niantic, CT 06357.

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## **Basic Financial Statements**



TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Type Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 14,868,776	\$ 525,643	\$ 15,394,419
Investments	2,520,007	-	2,520,007
Receivables:			
Property taxes, net of allowance for collection losses	1,614,622	-	1,614,622
Assessments/use charges	6,714,900	347,367	7,062,267
Intergovernmental	865,640	-	865,640
Internal balances	507,282	(507,282)	-
Bond issue costs	522,389	-	522,389
Net pension asset	35,040	-	35,040
Other assets	387,725	15,670	403,395
Capital assets, not being depreciated	17,803,503	623,015	18,426,518
Capital assets, net of accumulated depreciation	87,664,605	47,369,476	135,034,081
<b>Total assets</b>	<b>133,504,489</b>	<b>48,373,889</b>	<b>181,878,378</b>
<b>Liabilities</b>			
Accounts payable and accruals	2,926,449	31,260	2,957,709
Accrued interest payable	735,218	-	735,218
Meter deposits	-	3,223	3,223
Unearned revenue	501,059	-	501,059
Long-term liabilities:			
Due within one year	4,965,612	-	4,965,612
Due in more than one year	50,022,923	-	50,022,923
<b>Total liabilities</b>	<b>59,151,261</b>	<b>34,483</b>	<b>59,185,744</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	57,473,716	47,992,491	105,466,207
Restricted:			
Culture and recreation	2,479		2,479
Trust purposes:			
Expendable	1	-	1
Nonexpendable	910	-	910
Unrestricted	16,876,122	346,915	17,223,037
<b>Total net assets</b>	<b>\$ 74,353,228</b>	<b>\$ 48,339,406</b>	<b>\$ 122,692,634</b>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,604,139	\$ 794,820	\$ -	\$ -	\$ (6,809,319)	\$ -	\$ (6,809,319)
Public safety	3,633,158	75,963	150,687	-	(3,406,508)	-	(3,406,508)
Public works	6,120,005	3,416,107	414,054	577,480	(1,712,364)	-	(1,712,364)
Health and welfare	283,999	24,277	27,227	-	(232,495)	-	(232,495)
Culture and recreation	2,044,021	457,516	6,800	-	(1,579,705)	-	(1,579,705)
Education	49,301,160	3,654,457	12,296,380	-	(33,350,323)	-	(33,350,323)
Interest expense	1,455,537	-	-	-	(1,455,537)	-	(1,455,537)
<b>Total governmental activities</b>	<b>70,442,019</b>	<b>8,423,140</b>	<b>12,895,148</b>	<b>577,480</b>	<b>(48,546,251)</b>	<b>-</b>	<b>(48,546,251)</b>
Business-type activities:							
Sewer Department	2,654,553	1,565,595	-	-	-	(1,088,958)	(1,088,958)
<b>Total business-type activities</b>	<b>2,654,553</b>	<b>1,565,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,088,958)</b>	<b>(1,088,958)</b>
Total primary government	\$ 73,096,572	\$ 9,988,735	\$ 12,895,148	\$ 577,480	(48,546,251)	(1,088,958)	(49,635,209)
		General revenues:					
					46,573,357	-	46,573,357
					1,284,601	-	1,284,601
					97,272	-	97,272
					(147,949)	147,949	-
					47,807,281	147,949	47,955,230
					(738,970)	(941,009)	(1,679,979)
					75,092,198	49,280,415	124,372,613
					\$ 74,353,228	\$ 48,339,406	\$ 122,692,634

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

TOWN OF EAST LYME, CONNECTICUT

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2012**

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 4,366,635	\$ 1,361,974	\$ 3,573,659	\$ 1,483,238	\$ 1,086,993	\$ 11,872,499
Investments	2,520,007	-	-	-	-	2,520,007
Receivables (net of allowances for collection losses):						
Property taxes	1,614,622	-	-	-	-	1,614,622
Assessments/use charges	56,932	6,076,199	-	-	581,769	6,714,900
Intergovernmental	285,303	-	286,629	97,496	196,212	865,640
Advances to other funds	-	635,927	-	-	-	635,927
Due from other funds	282,993	520,142	126,580	348,676	7,368	1,285,759
Other	351,896	8,579	-	-	27,250	387,725
<b>Total assets</b>	<b>\$ 9,478,388</b>	<b>\$ 8,602,821</b>	<b>\$ 3,986,868</b>	<b>\$ 1,929,410</b>	<b>\$ 1,899,592</b>	<b>\$ 25,897,079</b>
<b>Liabilities</b>						
Accounts payable and accruals	\$ 1,310,812	\$ -	\$ 123,173	\$ 511,555	\$ 581,317	\$ 2,526,857
Due to other funds	319,057	481	624,471	1,145	133,720	1,078,874
Unearned revenue	222,756	-	-	-	278,303	501,059
Deferred revenue	1,664,739	6,076,199	286,629	97,496	479,406	8,604,469
Advances from other funds	-	-	635,927	-	-	635,927
<b>Total liabilities</b>	<b>3,517,364</b>	<b>6,076,680</b>	<b>1,670,200</b>	<b>610,196</b>	<b>1,472,746</b>	<b>13,347,186</b>
<b>Fund balances</b>						
Nonspendable	-	635,927	-	-	28,160	664,087
Restricted	-	-	-	-	2,480	2,480
Committed	-	1,890,214	2,316,668	1,319,214	466,235	5,992,331
Assigned	1,145,261	-	-	-	-	1,145,261
Unassigned	4,815,763	-	-	-	(70,029)	4,745,734
<b>Total fund balances</b>	<b>5,961,024</b>	<b>2,526,141</b>	<b>2,316,668</b>	<b>1,319,214</b>	<b>426,846</b>	<b>12,549,893</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,478,388</b>	<b>\$ 8,602,821</b>	<b>\$ 3,986,868</b>	<b>\$ 1,929,410</b>	<b>\$ 1,899,592</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the Town as a whole.	105,468,108
Deferred revenues are not available and therefore not recognized in the funds.	8,604,469
Bond issue costs	522,389
Net pension asset	35,040
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(54,988,535)
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,897,082
Accrued interest payable not recorded in the funds.	(735,218)

Net assets of governmental activities \$ 74,353,228

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2012

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund		
<b>REVENUES</b>						
Property tax assessments and lien fees	\$ 45,043,599	\$ 1,332,996	\$ -	\$ -	\$ -	\$ 46,376,595
Intergovernmental	13,081,658	-	246,952	182,134	1,149,695	14,660,439
Charges for services	6,227,306	-	-	130,991	2,956,732	9,315,029
Investment income	60,095	21,098	11,610	4,438	31	97,272
<b>Total revenues</b>	<b>64,412,658</b>	<b>1,354,094</b>	<b>258,562</b>	<b>317,563</b>	<b>4,106,458</b>	<b>70,449,335</b>
<b>EXPENDITURES</b>						
Current:						
General government	5,709,031	-	116,168	-	-	5,825,199
Public safety	3,347,534	-	-	-	-	3,347,534
Public works	3,560,843	56,513	-	-	1,761,303	5,378,659
Health and welfare	241,898	-	-	-	-	241,898
Culture and recreation	2,042,530	-	-	-	14,124	2,056,654
Education	45,459,821	-	-	-	1,950,444	47,410,265
Capital outlay	130,887	-	1,134,671	7,970,163	-	9,235,721
Debt service:						
Principal retirements	4,012,971	-	369,934	-	409,936	4,792,841
Interest and other charges	1,314,163	-	-	-	-	1,314,163
<b>Total expenditures</b>	<b>65,819,678</b>	<b>56,513</b>	<b>1,620,773</b>	<b>7,970,163</b>	<b>4,135,807</b>	<b>79,602,934</b>
<b>Revenues over (under) expenditures</b>	<b>(1,407,020)</b>	<b>1,297,581</b>	<b>(1,362,211)</b>	<b>(7,652,600)</b>	<b>(29,349)</b>	<b>(9,153,599)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital leases	-	-	-	569,666	-	569,666
Transfers in	1,944,469	-	-	50,000	-	1,994,469
Transfers (out)	(52,480)	(2,089,938)	-	-	-	(2,142,418)
Bond premium	469,838	-	-	140,885	-	610,723
Issuance of bonds	7,330,000	-	1,151,454	6,070,000	-	14,551,454
Payment to escrow	(7,678,748)	-	-	-	-	(7,678,748)
<b>Total other financing sources (uses)</b>	<b>2,013,079</b>	<b>(2,089,938)</b>	<b>1,151,454</b>	<b>6,830,551</b>	<b>-</b>	<b>7,905,146</b>
<b>Change in fund balances</b>	<b>606,059</b>	<b>(792,357)</b>	<b>(210,757)</b>	<b>(822,049)</b>	<b>(29,349)</b>	<b>(1,248,453)</b>
<b>FUND BALANCES, beginning</b>	<b>5,354,965</b>	<b>3,318,498</b>	<b>2,527,425</b>	<b>2,141,263</b>	<b>456,195</b>	<b>13,798,346</b>
<b>FUND BALANCES, ending</b>	<b>\$ 5,961,024</b>	<b>\$ 2,526,141</b>	<b>\$ 2,316,668</b>	<b>\$ 1,319,214</b>	<b>\$ 426,846</b>	<b>\$ 12,549,893</b>

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

**TOWN OF EAST LYME, CONNECTICUT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

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Net change in fund balances – total governmental funds	\$ (1,248,453)
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.	4,745,090
Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(629,857)
Change in net pension asset	(1,338)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,268,628)
Changes in 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.	(1,277,462)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>941,678</u>
Change in net assets of governmental activities	<u>\$ (738,970)</u>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
June 30, 2012

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 525,643	\$ 2,996,277
Receivables:		
User charges	347,367	-
Due from other funds	17,640	300,397
Inventory	15,670	-
<b>Total current assets</b>	<u>906,320</u>	<u>3,296,674</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	47,992,491	-
<b>Total noncurrent assets</b>	<u>47,992,491</u>	<u>-</u>
<b>Total assets</b>	<u>48,898,811</u>	<u>3,296,674</u>
<b>LIABILITIES</b>		
Current liabilities:		
Meter deposits	3,223	-
Claims payable	-	399,592
Due to other funds	524,922	-
Compensated absences	31,260	-
<b>Total liabilities</b>	<u>559,405</u>	<u>399,592</u>
<b>NET ASSETS</b>		
Invested in capital assets	47,992,491	-
Unrestricted	346,915	2,897,082
<b>Total net assets</b>	<u>\$ 48,339,406</u>	<u>\$ 2,897,082</u>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND NET ASSETS - PROPRIETARY FUNDS  
 For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
<b>OPERATING REVENUES</b>		
Charges for services and other	\$ 1,565,595	\$ 7,402,239
<b>Total operating revenues</b>	<u>1,565,595</u>	<u>7,402,239</u>
<b>OPERATING EXPENSES</b>		
General and administrative	47,605	720,005
Labor and maintenance	1,763,231	-
Claims	-	5,740,672
Depreciation	843,717	-
<b>Total operating expenses</b>	<u>2,654,553</u>	<u>6,460,677</u>
<b>Operating (loss) income</b>	<u>(1,088,958)</u>	<u>941,562</u>
<b>NONOPERATING REVENUES</b>		
Investment income	-	116
<b>Total nonoperating revenues</b>	<u>-</u>	<u>116</u>
<b>Net (loss) income before transfers</b>	<u>(1,088,958)</u>	<u>941,678</u>
<b>TRANSFERS</b>		
Transfers in	147,949	-
<b>Change in net assets</b>	<u>(941,009)</u>	<u>941,678</u>
<b>NET ASSETS, beginning</b>	<u>49,280,415</u>	<u>1,955,404</u>
<b>NET ASSETS, ending</b>	<u>\$ 48,339,406</u>	<u>\$ 2,897,082</u>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
<b>Cash Flows From Operating Activities</b>		
Receipts from customers and users	\$ 1,563,570	\$ -
Payments to suppliers	(1,094,486)	-
Payment to employees	(523,432)	-
Receipts from premiums	-	7,402,239
Cash paid for claims and administration	-	(6,788,089)
<b>Net cash (used in) provided by operating activities</b>	<u>(54,348)</u>	<u>614,150</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(43,704)	-
<b>Net cash (used in) capital and related financing activities</b>	<u>(43,704)</u>	<u>-</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers in	147,949	-
<b>Net cash provided by noncapital financing activities</b>	<u>147,949</u>	<u>-</u>
<b>Cash Flows Provided by Investing Activities</b>		
Investment income	-	116
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>116</u>
<b>Net increase in cash and cash equivalents</b>	49,897	614,266
<b>Cash and Cash Equivalents</b>		
Beginning	475,746	2,382,011
Ending	<u>\$ 525,643</u>	<u>\$ 2,996,277</u>

(Continued)

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued  
 For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
<b>Reconciliation of Operating (Loss) Income to Net Cash Provided by (Used in) Operating Activities</b>		
Operating (loss) income	\$ (1,088,958)	\$ 941,562
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Depreciation	843,717	-
(Increase) decrease in:		
Inventory	1,900	-
Receivables	(2,025)	-
Due from other funds	(2,627)	(300,397)
Increase (decrease) in:		
Accounts and other payables	(20,977)	(27,015)
Due to other funds	214,622	-
<b>Net cash (used in) provided by operating activities</b>	<u>\$ (54,348)</u>	<u>\$ 614,150</u>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2012

	Pension Trust Fund	Private Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash	\$ -	\$ 36,140	\$ 1,836,860
Investments	12,237,534	-	-
<b>Total assets</b>	<b>12,237,534</b>	<b>36,140</b>	<b>1,836,860</b>
<b>LIABILITIES</b>			
Payable to others	11,783	-	1,221,956
Due to student groups	-	-	614,904
<b>Total liabilities</b>	<b>11,783</b>	<b>-</b>	<b>1,836,860</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES</b>			
	<b>\$ 12,225,751</b>	<b>\$ 36,140</b>	<b>\$ -</b>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2012

	Pension Trust Fund	Private Purpose Trusts
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 897,808	\$ -
Plan members	161,795	-
Other	-	7,106
Total contributions	<u>1,059,603</u>	<u>7,106</u>
Investment income (loss):		
Net depreciation in fair value of investments	(94,049)	-
Interest income	-	49
Total investment income	<u>(94,049)</u>	<u>49</u>
<b>Total additions</b>	<u>965,554</u>	<u>7,155</u>
<b>DEDUCTIONS</b>		
Benefits	95,044	-
Administration	27,280	-
Other	-	1,084
Total deductions	<u>122,324</u>	<u>1,084</u>
<b>Change in net assets</b>	843,230	6,071
<b>NET ASSETS</b> , beginning	<u>11,382,521</u>	<u>30,069</u>
<b>NET ASSETS</b> , ending	<u>\$ 12,225,751</u>	<u>\$ 36,140</u>

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

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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#### **Note 1. Summary of Significant Accounting Policies**

##### Reporting Entity

The Town of East Lyme, Connecticut (the "Town"), was incorporated in 1839. The Town covers 34.8 square miles located in the southeastern part of Connecticut. The Town operates under a Town Meeting form of government. The First Selectman serves as the Chief Executive Officer. The Town provides the following services including public safety, public works, health, social services, recreation, planning and zoning, education and general government.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statements have been considered and there are no agencies or entities which should be presented with the Town.

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### 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 do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to 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 LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

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

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

#### **Governmental Funds**

The Town reports the following major governmental funds:

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

The *Sewer Assessments Fund* accounts for the revenues that are used to finance sewer system improvements.

The *Bonded Capital Projects Fund* accounts for the financial revenues and expenditures associated with major capital asset construction projects and/or purchases.

The *Capital Nonrecurring Fund* is used to account for revenue and expenditures associated with nonrecurring capital items.

The Town reports the following major proprietary fund:

The *Sewer Fund* accounts for the activities of the Town's Sewer Department.

Additionally, the Town reports the following fund types:

*Special Revenue Funds* account for and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed for expenditure for specific activities other than debt service or capital projects.

*Capital Project Funds* account for and report all financial resources that are restricted, committed or assigned to expenditure for capital outlay excluding projects related to proprietary funds.

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

The *Internal Service Fund* accounts for all risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10.

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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The *Pension Trust Funds* account for the activities of the Town's Employees' Retirement System and the Town's Defined Benefit Trust, which accumulates resources for pension benefit payments to qualified employees.

The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for senior citizens and students. All resources of the funds, including any earnings on invested resources, may be used to support the Town's activities. There is no requirement that any portion of these resources be preserved as capital.

The *Agency Funds*, fiduciary funds, account for monies held as a custodian for outside student groups and agencies and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

For "Advances To/From Other Funds," the assets reported in the governmental fund financial statements are offset by non-spendable fund balance to indicate that they are not expendable financial resources.

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

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

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

#### Accounting Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

#### Property Taxes

Property taxes are assessed as of October 1, and are levied for on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and January 1. Motor vehicle taxes are due in

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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one installment on July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are filed by the last day of the fiscal year.

Delinquent real estate taxes are billed at least twice a year, with interest charged at a rate of 1.5 percent per month. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years, at which time they cease to be carried as receivables. However, they remain valid claims for up to 15 years after being levied.

#### Cash and Cash Equivalents

The Town's cash and cash equivalents consist of 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.

#### Allowance for Doubtful Accounts

Accounts, property tax and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based on past collection history and on analysis of creditor's ability to pay.

#### Investments

Investments for the Town are primarily reported at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term 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 through 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 were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

#### Inventories

Inventories are stated at the lower of cost or market determined on the first-in, first-out basis.

#### 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 or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the Town 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 fair 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	33-100
Sewer systems	50-75
Water systems	25-50
Machinery, equipment and vehicles	5-15

In the governmental fund financial statements, capital outlay (assets) is reported as an expenditure and no depreciation expense is reported.

#### Compensated Absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

#### Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond principal premiums and discounts, as well as issuance costs, are deferred and amortized over the life the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred gains/losses on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are recorded as expenditures. 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 and principal payments, are reported as debt service expenditures.

#### Pension accounting

##### ***Pension Trust Fund***

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when paid. Standalone statements are not issued.

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### ***Governmental Funds/Activities***

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

#### ***Funding Policy***

The Town funds the contributions to its defined benefit pension plan based on an actuarial valuation, which amount is included in the budget.

#### OPEB accounting

##### ***OPEB Trust***

Employer contributions are recognized in the period in which the contributions are due, and the Town has made a formal commitment to provide the contributions. Employees begin contributing on July 1, 2008.

#### ***Governmental Funds/Activities***

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

#### ***Funding Policy***

The Town makes annual contributions based on management decisions.

#### Net Assets

In the Government-Wide and Proprietary Fund Financial Statements, net assets are classified in the following categories:

***Invested in Capital Assets, Net of Related Debt*** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

***Restricted Net Assets*** – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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***Unrestricted Net Assets (Deficit)*** - This category represents the net assets of the Town, which are not restricted for any project or other purpose. A deficit will require future funding.

**Fund Balance**

In the government fund financial statements, the Town classified fund balances as follows:

- **Nonspendable Fund Balance** – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- **Committed Fund Balance** – This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision-making authority (Town of East Lyme Board of Finance). Amounts remain committed until action is taken by the Board of Finance (resolution) to remove or revise the limitations.
- **Assigned Fund Balance** – Amounts constrained for the intent to be used for a specific purpose by the Director of Finance that has been delegated authority to assign amounts by the Board of Finance.
- **Unassigned Fund Balance** – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Note 2. Reconciliation of Government Wide And Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds, and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 39,844,331
Bond anticipation notes payable	6,820,000
Bond premium	1,701,889
OPEB obligations	4,095,700
Compensated absences	2,023,638
Early retirement incentive	621,899
Deferred gains/losses	(1,798,748)
Capital leases payable	1,311,860
Landfill closure	208,370
SCRRA loan	159,596
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 54,988,535</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances - total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this difference are as follows:

Capital outlay	\$ 8,916,482
Depreciation expense	(4,137,891)
Loss on disposal	(33,501)
	<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,745,090</u>

Another element of that reconciliation states that "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 assets. Also, governmental funds report the effect of issuance costs, premiums,

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt issued or incurred:	
Issuance of bonds and BANS	\$ (14,551,454)
Capital lease	(569,666)
Deferred gain on refunding	493,749
Bond issuance costs	121,089
Bond Premium	(469,838)
Principal repayments:	
General obligation debt	11,414,972
Capital lease	395,409
Amortization of deferred charges	(248,253)
Amortization of bond premium	202,175
Amortization of bond issue costs	<u>(56,811)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (3,268,628)</u>

Another element of that reconciliation states that "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." The details of this difference are as follows:

OPEB obligations	\$ (1,232,300)
Compensated absences	(13,064)
Early retirement incentives	56,882
Accrued interest	(159,992)
SCRRRA loan	58,512
Landfill closure	<u>12,500</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,277,462)</u>

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### **Note 3. Cash, Cash Equivalents and Investments**

Deposits: The Town does not have a policy for deposits. The Town also does not have a custodial credit risk policy. However, as a practice, the Town follows State statutes. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The Town and the Pension Trust do not have a custodial credit risk policy for investments. The Town and the Pension Trust do not have a policy for investments or related credit risk for debt securities, however, it is their practice to follow State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund.

Interest rate risk: The Town and the Pension Plan do not have a policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. However, their practice is to structure 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, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations: The Town and the Pension Plan do not have a policy that limits the amounts invested in any one issuer. However, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

#### Custodial Credit Risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2012, \$12,853,000 of the Town's bank balance of \$20,719,000 was uninsured and uncollateralized.

Investments: This is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town has no investments subject to this risk.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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Cash, cash equivalents and investments of the Town consist of the following at June 30, 2012:

<b>Cash and Cash Equivalents</b>	
Deposits with financial institutions	\$ 12,631,455
State of Connecticut Short-Term Investment Fund	2,152,936
Cutwater-Connecticut Class Plus Account	<u>2,483,028</u>
<b>Total cash and cash equivalents</b>	<u>17,267,419</u>
<b>Investments</b>	
Pension Trust Funds:	
Mutual Funds	<u>12,237,534</u>
General Fund:	
Certificates of deposit	<u>2,520,007</u>
<b>Total investments</b>	<u>14,757,541</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 32,024,960</u>

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

<b>Statement of Net Assets</b>	
Cash and cash equivalents	\$ 15,394,419
Investments	<u>2,520,007</u>
	<u>17,914,426</u>
<b>Fiduciary Funds</b>	
Cash and cash equivalents	1,873,000
Investments	<u>12,237,534</u>
	<u>14,110,534</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 32,024,960</u>

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1 Year</u>	<u>6-10 Years</u>
Pooled fixed income	<u>\$ 4,635,964</u>	<u>\$ 4,635,964</u>	<u>\$ -</u>

*Credit Risk:* Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

<u>Average Rating</u>	<u>Pooled Fixed Income</u>
AAAm	<u>\$ 4,635,964</u>

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,994,862	\$ 4,313,185	\$ -	\$ 13,308,047
Construction in progress	3,383,091	1,819,386	(707,021)	4,495,456
Total capital assets, not being depreciated	12,377,953	6,132,571	(707,021)	17,803,503
Capital assets, being depreciated:				
Buildings and Improvements	118,136,581	2,011,117	-	120,147,698
Machinery and equipment	5,839,543	185,957	-	6,025,500
Vehicles	7,535,399	184,265	(356,586)	7,363,078
Infrastructure	19,104,928	1,074,206	-	20,179,134
Water distribution systems	22,006,646	35,387	-	22,042,033
Total capital assets, being depreciated	172,623,097	3,490,932	(356,586)	175,757,443
Total capital assets	185,001,050	9,623,503	(1,063,607)	193,560,946
Less accumulated depreciation for:				
Buildings and Improvements	52,721,344	1,865,369	-	54,586,713
Machinery and equipment	3,650,717	229,215	-	3,879,932
Vehicles	3,178,546	400,760	(323,085)	3,256,221
Infrastructure	14,256,877	1,155,975	-	15,412,852
Water distribution systems	10,470,548	486,572	-	10,957,120
Total accumulated depreciation	84,278,032	4,137,891	(323,085)	88,092,838
Total capital assets, being depreciated, net	88,345,065	(646,959)	(33,501)	87,664,605
Governmental activities capital assets, net	\$ 100,723,018	\$ 5,485,612	\$ (740,522)	\$ 105,468,108

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 608,210	\$ -	\$ -	\$ 608,210
Construction in progress	14,805	-	-	14,805
Total capital assets, not being depreciated	<u>623,015</u>	-	-	<u>623,015</u>
Capital assets, being depreciated:				
Buildings and Improvements	5,090,394	-	-	5,090,394
Machinery and equipment	600,414	7,470	-	607,884
Sewer distribution systems	57,613,991	36,234	-	57,650,225
Total capital assets, being depreciated	<u>63,304,799</u>	<u>43,704</u>	-	<u>63,348,503</u>
Total capital assets	<u>63,927,814</u>	<u>43,704</u>	-	<u>63,971,518</u>
Less accumulated depreciation for:				
Buildings and Improvements	1,557,660	91,627	-	1,649,287
Machinery and equipment	540,098	448	-	540,546
Sewer distribution systems	13,037,552	751,642	-	13,789,194
Total accumulated depreciation	<u>15,135,310</u>	<u>843,717</u>	-	<u>15,979,027</u>
Total capital assets, being depreciated, net	<u>48,169,489</u>	<u>(800,013)</u>	-	<u>47,369,476</u>
Total business-type activities capital assets, net	<u>\$ 48,792,504</u>	<u>\$ (800,013)</u>	<u>\$ -</u>	<u>\$ 47,992,491</u>

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

<b>Governmental activities:</b>	
General government	\$ 1,409,027
Public safety	265,244
Public works	694,161
Recreation	36,519
Education	1,732,940
<b>Total depreciation expense - governmental activities</b>	<u>\$ 4,137,891</u>
<b>Business-type activities:</b>	
Sewer	\$ 843,717
<b>Total depreciation expense - business-type activities</b>	<u>\$ 843,717</u>

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Note 5. Interfund Receivables, Payables and Transfers**

A summary of interfund balances as of June 30, 2012 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 282,993	\$ 319,057
Sewer Assessments Fund	520,142	481
Bonded Capital Projects Fund	126,580	624,471
Capital Nonrecurring Fund	348,676	1,145
Non-Major Governmental Funds	307,765	133,720
Enterprise Funds	17,640	524,922
<b>Grand Total</b>	<b>\$ 1,603,796</b>	<b>\$ 1,603,796</b>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

\$635,927 due to the Sewer Assessments Fund from the Bonded Capital Project Fund is a long-term advance as it will not be paid in the short-term.

Interfund transfers during the year ended June 30, 2012 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 1,944,469	\$ 52,480
Sewer Assessments Fund	-	2,089,938
Capital Nonrecurring Fund	50,000	-
Enterprise Funds	147,949	-
<b>Grand Total</b>	<b>\$ 2,142,418</b>	<b>\$ 2,142,418</b>

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary amortizations, and from the Sewer Assessment Fund to the General Fund to pay sewer notes and bonds. Nonmajor fund transfers to Enterprise Funds are for construction of capital assets.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Note 6. Unearned Revenue/Deferred Revenue**

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

	Deferred Revenues	Unearned Revenues
<b>General Fund:</b>		
Delinquent property taxes receivable	\$ 1,467,448	\$ -
Advance tax collections	-	222,756
Intergovernmental	40,803	-
Other	156,488	-
<b>Sewer Assessments Fund:</b>		
Sewer assessments not yet due	6,076,199	-
<b>Bonded Capital Projects:</b>		
Intergovernmental	286,629	-
<b>Capital Nonrecurring Fund:</b>		
Intergovernmental	97,496	-
<b>Other Nonmajor Governmental Funds:</b>		
Water usage unbilled	479,406	-
Grant drawdowns prior to meeting all eligibility requirements	-	278,303
<b>Total deferred/unearned revenue</b>	<b>\$ 8,604,469</b>	<b>\$ 501,059</b>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

**Note 7. Long-Term Liabilities**

A summary of changes in outstanding long-term obligations during the year ended June 30, 2012 is as follows:

Description	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 43,527,849	\$ 7,731,454	\$ 11,414,972	\$ 39,844,331	\$ 3,987,057
Bond anticipation notes	-	6,820,000	-	6,820,000	-
Bond premium	1,434,226	469,838	202,175	1,701,889	-
Deferred gains/losses	(1,553,252)	(493,749)	(248,253)	(1,798,748)	-
	<u>43,408,823</u>	<u>14,527,543</u>	<u>11,368,894</u>	<u>46,567,472</u>	<u>3,987,057</u>
Other long-term liabilities:					
OPEB obligations	2,863,400	1,232,300	-	4,095,700	-
Compensated absences	2,010,574	208,560	195,496	2,023,638	195,000
SCRRA Loan	218,108	-	58,512	159,596	59,175
Capital lease obligations	1,137,603	569,666	395,409	1,311,860	419,380
Early retirement incentives	678,781	241,326	298,208	621,899	291,000
Landfill closure	220,870	-	12,500	208,370	14,000
<b>Total other long-term liabilities</b>	<u>7,129,336</u>	<u>2,251,852</u>	<u>960,125</u>	<u>8,421,063</u>	<u>978,555</u>
<b>Governmental activity long-term liabilities</b>	<u>\$ 50,538,159</u>	<u>\$ 16,779,395</u>	<u>\$ 12,329,019</u>	<u>\$ 54,988,535</u>	<u>\$ 4,965,612</u>

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

General Obligation Bonds - Governmental Activities

As of June 30, 2012, the outstanding general obligation bonds of the Town were as follows:

Purpose	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>General Purpose:</b>								
Open Space & Radio Upgrade	\$ 1,295,000	2/2/2012	7/15/2029	2.0 - 3.0%	\$ -	\$ 1,295,000	\$ -	\$ 1,295,000
TIF, Tech, & CIP	135,000	4/18/2011	7/15/2016	2.0 - 5.0%	135,000	-	4,000	131,000
Land Acq, Road, Fire Pump	3,860,000	2/9/2011	2/9/2031	2.0 - 5.0%	3,860,000	-	-	3,860,000
Open Space	918,000	2/10/2010	7/15/2026	2.0 - 5.0%	907,000	-	-	907,000
Radio System Upgrade	1,105,000	7/16/2009	7/15/2030	3.5-5.0%	1,105,000	-	955,000	150,000
Open Space	500,000	7/15/2007	7/15/2028	4.25%	350,000	-	300,000	50,000
Open Space	1,000,000	7/15/2005	7/15/2025	3.87%	50,000	-	50,000	-
Capital Improvement-Refund	768,000	7/15/2005	7/15/2015	3.98%	123,000	-	123,000	-
General Govt - Refund	346,800	7/15/2003	7/15/2015	3.98%	55,000	-	55,000	-
Muni Complex Bds	1,607,733	7/15/2001	7/15/2012	4.25-5.125%	154,000	-	154,000	-
Total General Purpose					6,739,000	1,295,000	1,641,000	6,393,000
<b>Schools:</b>								
HS Roof & School Reno	1,693,000	2/2/2012	7/15/2028	2.0 - 3.0%	-	1,693,000	-	1,693,000
ELMS, Roof, School CIP	6,876,000	4/18/2011	7/15/2021	2.0 - 5.0%	6,876,000	-	85,000	6,791,000
ELMS, HS Roof & Ren Ref	7,785,000	2/10/2010	7/15/2024	2.0 - 5.0%	7,753,000	-	-	7,753,000
ELHS & Pool Refunding	3,969,000	7/16/2009	7/15/2019	3.0-4.0%	3,551,000	-	410,000	3,141,000
High School Roof	2,780,000	7/15/2007	7/15/2028	4.25%	1,890,000	-	1,750,000	140,000
School Renovations Projects	220,000	7/15/2007	7/15/2028	4.25%	160,000	-	150,000	10,000
Middle School Construction	10,500,000	7/15/2005	7/15/2025	3.87%	575,000	-	575,000	-
New Middle School Ren	11,000,000	5/1/2001	7/15/2021	4.25-5.125%	650,000	-	650,000	-
Middle School Refunding	6,954,200	7/15/2005	7/15/2020	3.98%	70,000	-	70,000	-
Total Schools					21,525,000	1,693,000	3,690,000	19,528,000
<b>Sewer:</b>								
Pine Grove Sewer	580,000	2/2/2012	7/15/2028	2.0 - 3.0%	-	580,000	-	580,000
Sewer Const. - Ref 92 7 95	4,955,000	4/18/2011	7/15/2018	2.0 - 5.0%	4,955,000	-	105,000	4,850,000
Pine Grove Sewer Refund	2,182,000	2/10/2010	7/15/2026	2.0 - 5.0%	2,165,000	-	-	2,165,000
Sewer Const (Colton Rd)-Ref	531,000	7/16/2009	7/15/2019	3.00%	475,000	-	55,000	420,000
Pine Grove Sewer	1,000,000	7/15/2007	7/15/2028	4.25%	700,000	-	675,000	25,000
Sewer Refunding	2,500,000	7/15/2005	7/15/2025	3.87%	150,000	-	150,000	-
Sewer Const.-Refinance	11,692,600	5/1/2001	7/15/2018	4.25-5.125%	681,000	-	681,000	-
Sewer Const.-Refinance	2,839,632	5/1/2001	7/15/2018	4.25-5.125%	141,000	-	141,000	-
Clean Water Phase III	8,588,195	12/30/1994	12/21/2014	2.00%	1,125,529	-	450,036	675,493
Clean Water Phase IV	598,686	3/31/1995	3/31/2014	2.00%	82,320	-	29,935	52,385
Total Sewers					10,474,849	580,000	2,286,971	8,767,878
<b>Water Bonds</b>								
2012 Ref Bonds 2009	3,762,000	2/12/2012	7/15/2029	2.0 - 3.0%	-	3,762,000	-	3,762,000
DWSRF/ARRA 2010-8003	401,454	12/29/2011	6/30/2031	2.06%	-	401,454	-	401,454
Water Bonds - ref 98	239,000	4/18/2011	7/15/2016	2.0 - 5.0%	239,000	-	6,000	233,000
Various Water Projects	4,180,000	7/16/2009	7/15/2030	3.5-5.0%	4,180,000	-	3,580,000	600,000
Water Ref 03 Bonds	200,000	7/16/2009	7/15/2019	3.0-4.0%	179,000	-	20,000	159,000
Water Bonds-Refunding	606,000	7/15/2005	7/15/2015	3.98%	97,000	-	97,000	-
Water Bonds-Refinance	1,346,737	5/1/2001	7/15/2002	4.25-5.125%	94,000	-	94,000	-
Total Water					4,789,000	4,163,454	3,797,000	5,155,454
Total bonds/notes - governmental activities					\$ 43,527,849	\$ 7,731,454	\$ 11,414,971	\$ 39,844,331

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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The following is a summary as of June 30, 2012, of the future principal and interest requirements for the Town's bond indebtedness - governmental activities excluding the bond anticipation notes:

Fiscal Year Ending	Principal	Interest	Total
2013	\$ 3,987,057	\$ 1,252,477	\$ 5,239,534
2014	3,809,384	1,155,586	4,964,970
2015	3,622,269	1,039,584	4,661,853
2016	3,567,629	913,299	4,480,928
2017	3,482,995	784,859	4,267,854
2018	3,453,369	665,522	4,118,891
2019	2,838,751	564,039	3,402,790
2020	2,279,141	485,053	2,764,194
2021	2,269,539	408,734	2,678,273
2022	1,579,946	339,247	1,919,193
2023	1,590,360	283,544	1,873,904
2024	1,585,784	227,221	1,813,005
2025	1,181,216	179,069	1,360,285
2026	1,176,657	139,091	1,315,748
2027	942,108	103,703	1,045,811
2028	937,567	73,469	1,011,036
2029	628,037	47,949	675,986
2030	628,516	27,445	655,961
2031	284,006	11,319	295,325
Total	<u>\$ 39,844,331</u>	<u>\$ 8,701,210</u>	<u>\$ 48,545,541</u>

#### 2012 General Obligation Bond – In-substance Defeasance

On February 2, 2012, the Town issued \$7,330,000 of general obligation refunding bonds with interest rates ranging from 2.0% to 5.0%, of which were used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the Town dated July 15, 2007 and July 16, 2009 (the "Refunding Bonds"). Of the net proceeds of \$7,799,838 (after payment of \$121,090 in underwriters fees and other costs), \$7,678,748 was placed in an irrevocable trust fund under an Escrow Agreement dated February 2, 2012 between the Town and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and net debt of \$145,000 and cash savings of \$30,683.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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The balance in the escrow was approximately \$7,678,748 at June 30, 2012. The balance of the defeased bonds was approximately \$7,185,000 at June 30, 2012. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements. As of June 30, 2012, the amount of defeased debt outstanding, but removed from the Town's government-wide financial statements, amounted to the following:

February 2012 Refunding	<u><u>\$ 7,185,000</u></u>
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Bond Anticipation Notes and Subsequent Event

The Town has \$6,820,000 of tax-exempt general obligation bond anticipation notes (BANS) outstanding as of June 30, 2012 and are recorded within long-term debt. The notes bear interest at 1-1.5%. The Notes matured July 2012. See Subsequent Event below.

Bond anticipation note transactions for the year ended June 30, 2012 were as follows:

Outstanding, July 1, 2011	\$ -
New borrowings	6,820,000
Repayments	-
Outstanding, June 30, 2012	<u><u>\$ 6,820,000</u></u>
Reported as:	
Long-term debt - governmental	<u><u>\$ 6,820,000</u></u>

Subsequent Event

In July 2012, the Town issued \$8,720,000 in general obligation bonds. The bonds bear interest of \$2.00% - 4.00% and mature serially from July 15, 2015 to September 15, 2032. Of the \$8,720,000 bond anticipation notes outstanding, \$6,820,000 of governmental fund debt was financed with the July 2012 issue and is considered long-term debt in the government-wide financial statements, and other financing sources in the Governmental Fund financial statements.

Bonds Authorized But Unissued

Total authorized but unissued debt at June 30, 2012 consists of the following:

General purpose	\$ 6,345,000
Schools	3,466,066
Sewer	4,366,046
	<u><u>\$ 14,177,112</u></u>

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### Legal Debt Limit

The Town's indebtedness (including authorized but unissued bonds and overlapping debt), net of principal reimbursements expected from the State, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 101,807,016	\$ 19,558,000	\$ 82,249,016
Schools	203,614,032	22,994,066	180,619,966
Sewers	169,678,360	18,289,376	151,388,984
Urban renewal	147,054,578	-	147,054,578
Pension deficit	135,742,688	-	135,742,688

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$316,732,938.

#### Capital Lease

At June 30, 2012, the Board of Education is committed under leases for vehicles and miscellaneous instruments. These lease agreements qualify as capital leases for accounting purposes (title transfers at the beginning 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. The equipment is carried at approximately \$1,897,000, with approximately \$567,000 in accumulated depreciation.

Future minimum lease payments under the capital lease is as follows:

2013	\$ 419,380
2014	404,089
2015	391,910
2016	160,758
Total	<u>1,376,137</u>
Less amount representing interest	<u>(64,277)</u>
	<u>\$ 1,311,860</u>

#### SCRRA Loan

On April 1, 2010, the Town borrowed \$295,000 to purchase recyclers for residents to assist in its recycling efforts. Monthly principal and interest payments are \$5,073 at a 1.24% interest rate through June 15, 2015.

#### Termination Benefits

The Town provides severance payments to teachers and department coordinators upon retirement, death or severe illness and to administrators upon retirement or the elimination of a position. To qualify for benefits, the employee must be the age of 50 with 20 years of service, 25 years of service, or age 60 with 10 years of service. The Town funds the severance cost for the 21 eligible participants. The amounts are paid as incurred from the general fund. During the fiscal year ended June 30, 2012, \$298,000 was paid

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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for these benefits. At June 30, 2012, approximately \$622,000 is accrued in the governmental activities. The liability is liquidated out of the general fund.

#### **Note 8. Landfill Post-Closure Care Costs**

State and federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill post-closure care costs has a balance of \$208,370 as of June 30, 2012. The liability is accrued in the governmental activities. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

#### **Note 9. Risk Management**

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters, and owners' and contractors' protective liability.

The Workers Compensation coverage for Town employees is provided by Argonaut Insurance Company, a member of Argo Group. It is an admitted carrier in the State of Connecticut and has an AM Best rating of A (Excellent) and a Financial Size Category of XII (\$1 Billion to \$1.25 Billion). The program is fully insured and the Town does not retain any risk of loss. The coverage is as follows: Part One-Workers Compensation Insurance – policy applies to the Workers Compensation Law of Connecticut. Part Two – Employers Liability – limits are Bodily Injury by Accident \$1,000,000 Each Accident, Bodily Injury by Disease \$1,000,000 Each Employee and Bodily Injury by Disease \$1,000,000 Policy Limit. The Town pays an annual premium for its coverage. The Town had no claims in excess of coverage amounts during the year.

The Town purchases commercial insurance for all other risks of loss other than health insurance, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from the amounts held in prior years.

The Town established as an internal service fund, the health insurance fund, to account for and finance the retained risk of loss for Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The health insurance fund provides coverage for all eligible full time employees.

The Town has purchased a stop loss policy for individual claims exceeding \$125,000 for combined hospital and major medical.

Health insurance premiums are based upon estimates by number of employees and type of coverage (single or family), trends in the insurance claims and estimates for administration. The claims liability reported is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

The self-insurance fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported.

	Liability July 1,	Current Year Claims And Changes in Estimates	Claim Payments	Liability June 30,
2010-2011	\$ 418,644	\$ 6,032,452	\$ 6,024,489	\$ 426,607
2011-2012	426,607	5,713,657	5,740,672	399,592

**Note 10. Contingent Liabilities**

The Town has been named as defendant in several claims and legal actions. The outcome and potential liability to the Town, if any, in these cases, is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that the potential claims against the Town would not have a material adverse effect on the financial condition of the Town.

**Note 11. Retirement Plans**

**Defined Benefit Plan (PERS)**

**Plan Description**

Summary

The Town participates in a single employer, defined benefit pension plan covering substantially all full-time employees of the Town and noncertified Board of Education employees.

The Plan is administered by a third-party. It is the responsibility of the vendor to function as an investment and administrative agent for the Town of East Lyme with respect to the pension Plan. The Pension Committee makes recommendations for plan provisions which are approved by the Board of Finance. The PERS is considered to be part of the Town of East Lyme's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The plan does not issue standalone financial reports.

**Classes of Employees Covered**

At January 1, 2012, the date of the last actuarial valuation, membership in the plan consisted of the following:

Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to benefits but not yet receiving them	22
Inactive participants	-
Current employees	
Vested	109
Nonvested	77
	<u>185</u>
	<u>222</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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**Benefit Provisions**

The Retirement Benefits are as follows:

**For Policemen:** 1% of three-year Final Average Earnings times years of service prior to July 1, 1986, plus 2% of three-year Final Average Earnings times years of service after July 1, 1986.

**For Firemen:** 1% of three-year Final Average Earnings times years of service prior to August 1, 1986, plus 2% of three-year Final Average Earnings times years of service after August 1, 1986.

**For Other Participants:** 1% of five-year Final Average Earnings times years of service.

The Plan covers all municipal employees and staff except for those employees covered under the State Teachers' Retirement Plan. In order to be eligible for the Plan, the employee must complete six months of service and be hired prior to age 61. Policemen and firemen become participants on the first of the month after hire if they are under age 45 and make contributions. The Town makes annual contributions to the Plan based on the recommended actuarial determined contribution.

Contribution requirements of the plan members and the Town are established and may be amended by the Board of Selectmen. Policemen and firemen are required to contribute 8% and 5.5%, respectively, of their annual salary to the Plan. All other plan members do not contribute to the Plan. The Town is required to annually contribute an actuarially determined amount to fund benefits. Administrative costs are financed through investment earnings.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2010	\$ 752,277	99.82%	\$ (37,713)
6/30/2011	851,372	99.84%	(36,378)
6/30/2012	837,280	99.84%	(35,040)

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included:

Investment rate of return	7.0%
Projected salary increases (per year)	4.5%
Inflation rate	None
Cost of living adjustment	None
Asset valuation method	Fair value

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**Annual Pension Cost and Net Pension Asset (NPA)**

The Town's annual pension cost and net pension asset to the pension trust fund for the current year were:

Annual required contribution	\$ 835,942
Interest on net pension obligation	(2,546)
Adjustment to annual required contribution	3,884
Annual pension cost	<u>837,280</u>
Contributions made	<u>835,942</u>
Decrease in net pension asset	1,338
Net pension asset July 1, 2011	<u>(36,378)</u>
Net pension asset June 30, 2012	<u><u>\$ (35,040)</u></u>

**Schedule of Funding Progress**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL As a % of Payroll ((2)-(1))/(5)
January 1, 2012	\$ 11,497,549	\$ 17,564,890	\$ 6,067,341	65.5%	\$ 7,920,142	(76.6) %

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Plan Description – 401(a) Plan**

Summary

On July 1, 2001, the Town established the Town of East Lyme 401(a) Plan, a single employer defined contribution plan to provide pension benefits for all Town employees not covered by a collective bargaining agreement between the Town and the employees. The Plan, its provisions and contribution requirements, was established and can be amended by the Board of Selectmen.

In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate after one year of service. Participants are not required to contribute to the Plan. The Town's contributions for each employee and interest allocated to the employee's account are fully vested after five years of continuous service. Under the Plan's provisions, the Town is required to contribute 5%. At June 30, 2012, there were 18 plan members. The Town contributed \$61,866.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

SCHEDULE OF PLAN NET ASSETS  
June 30, 2012

	Pension Trust funds		
	Retirement	Defined	Total Pension
	Pension	Contribution	Trust
	Trust	Trust	Funds
<b>ASSETS</b>			
Investments:			
Mutual Funds	\$ 11,507,238	\$ 730,296	\$ 12,237,534
<b>Total investments</b>	<b>11,507,238</b>	<b>730,296</b>	<b>12,237,534</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 11,783	\$ -	\$ 11,783
	11,783	-	11,783
<b>Total net assets</b>	<b>11,495,455</b>	<b>730,296</b>	<b>12,225,751</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>\$ 11,495,455</b>	<b>\$ 730,296</b>	<b>\$ 12,225,751</b>

SCHEDULE OF CHANGES IN PLAN NET ASSETS  
For the Year Ended June 30, 2012

	Pension Trust funds		
	Retirement	Defined	Total Pension
	Pension	Contribution	Trust
	Trust	Trust	Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 835,942	\$ 61,866	\$ 897,808
Plan members	122,984	38,811	161,795
<b>Total contributions</b>	<b>958,926</b>	<b>100,677</b>	<b>1,059,603</b>
Investments:			
Net depreciation in fair value of investments	(82,229)	(11,820)	(94,049)
<b>Total investment loss</b>	<b>(82,229)</b>	<b>(11,820)</b>	<b>(94,049)</b>
<b>Total additions</b>	<b>876,697</b>	<b>88,857</b>	<b>965,554</b>
<b>DEDUCTIONS</b>			
Benefits	76,792	18,252	95,044
Administration	26,800	480	27,280
<b>Total deductions</b>	<b>103,592</b>	<b>18,732</b>	<b>122,324</b>
<b>Changes in net assets</b>	<b>773,105</b>	<b>70,125</b>	<b>843,230</b>
<b>NET ASSETS, beginning</b>	<b>10,722,350</b>	<b>660,171</b>	<b>11,382,521</b>
<b>NET ASSETS, ending</b>	<b>\$ 11,495,455</b>	<b>\$ 730,296</b>	<b>\$ 12,225,751</b>

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$3,946,000 for the year ended June 30, 2012.

#### **Note 12. Other Post-Employment Benefits**

In addition to providing pension benefits, various Town employee agreements provide for a portion of health insurance coverage or subsidized coverage to retired employees. These benefits are negotiated through union contracts, personnel policies, and/or individual employment agreements.

#### Post retirement benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, disclosed the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

#### Plan description and funding policy

The Town provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. The latest actuarial valuation was made July 1, 2010. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town determines the required contribution using the Projected Unit Credit Method.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

Membership in the plan consisted of the following at July 1, 2010, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	40
Active plan members	<u>472</u>
<b>Total</b>	<u><u>512</u></u>

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2010 is estimated to be \$13,999,300. The Town's contributions represent payments made for premiums for insured individuals on a pay-as-you-go method.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 1,226,400	\$ (5,900)	-0.48%	\$ 4,095,700
6/30/11	1,133,000	240,700	21.20%	2,863,400
6/30/10	1,083,400	222,800	20.56%	1,971,000

***Schedule of Funding Progress - OPEB***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2010	\$ -	\$ 13,999,300	\$ 13,999,300	0.0%	\$ 28,599,000	49%

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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OPEB Obligation

Annual required contribution	\$ 1,271,200
Interest on net pension obligation	114,500
Adjustment to ARC	<u>(159,300)</u>
Annual OPEB cost	1,226,400
Contributions made	<u>(5,900)</u>
Increase in net OPEB liability	1,232,300
Net OPEB obligation, beginning of year	<u>2,863,400</u>
Net OPEB obligation, end of year	<u><u>\$ 4,095,700</u></u>

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

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

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2010
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	N/A
Amortization Method:	Level Percent of Pay
Remaining Amortization Period	30 Years – Level Dollar, Open
Actuarial Assumptions:	
Interest	4%
Health cost trend rates	Average annual healthcare cost trend rates are assumed to be as follows:

Year	Decrease
2010	10%
2011	9%
2012	8%
2013	7%
2014	6%
2015 and later	5%

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**Note 13. Fund Deficits**

The following fund had a fund deficit as of June 30, 2012:

School Lunch Fund	\$ (70,029)
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The School Lunch Fund deficit is expected to be eliminated through transfers from the Town's general fund and from other revenue sources.

**Note 14. Fund Balance**

Below is a table of fund balance categories and classifications at June 30, 2012 for the Town governmental funds:

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Nonmajor Governmental Funds
Fund balances:					
Non-spendable:					
Permanent	\$ -	\$ -	\$ -	\$ -	\$ 910
Inventory	-	-	-	-	27,250
	-	-	-	-	28,160
Restricted:					
Recreation	-	-	-	-	2,480
Committed:					
Public works	-	1,890,214	-	-	466,235
Capital projects	-	-	2,316,668	1,319,214	-
	-	1,890,214	2,316,668	1,319,214	466,235
Assigned:					
Public works	151,330	-	-	-	-
Public safety	2,160	-	-	-	-
Recreation	87,607	-	-	-	-
General government	1,551	-	-	-	-
Education	902,613	-	-	-	-
	1,145,261	-	-	-	-
Unassigned:	4,815,763	-	-	-	(70,029)
<b>Total fund balances</b>	<b>\$ 5,961,024</b>	<b>\$ 1,890,214</b>	<b>\$ 2,316,668</b>	<b>\$ 1,319,214</b>	<b>\$ 426,846</b>

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### Note 15. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial

## TOWN OF EAST LYME, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was issued March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 66, *Technical Corrections—2012***, was issued in March 2012. *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25***, was issued in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27***, was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2015.

**TOWN OF EAST LYME, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, provides guidance for:
  - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
  - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
  - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
  - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis

**Required Supplementary  
Information**



**TOWN OF EAST LYME, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST AND OPEB  
June 30, 2012**

**Schedule of Funding Progress - Pension**

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL As a % of Payroll ((2)-(1))/(5)
06/30/2007	\$ 6,876,025	\$ 9,761,154	\$ 2,885,129	70.4%	\$ 6,635,165	(43.5)%
06/30/2008	7,189,058	10,727,282	3,538,224	67.0%	6,714,774	(52.7)%
06/30/2009	7,616,354	13,299,312	5,682,758	57.3%	7,219,904	(78.7)%
06/30/2010	8,357,352	13,315,443	4,958,091	62.8%	7,641,981	(64.9)%
06/30/2011	10,722,350	15,207,773	4,485,423	70.5%	7,318,648	(61.3)%
06/30/2012	11,497,549	17,564,890	6,067,341	65.5%	7,920,142	(76.6)%

**Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2007	531,455	531,455	100.0%
2008	605,163	605,163	100.0%
2009	675,251	675,251	100.0%
2010	750,941	750,941	100.0%
2011	850,037	850,037	100.0%
2012	835,942	835,942	100.0%

**Schedule of Funding Progress - OPEB**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2008	\$ -	\$ 12,751,400	\$ 12,751,400	0.0%	\$ 24,900,000	51.2%
7/1/2010	-	13,999,300	13,999,300	0.0%	28,599,000	49.0%

**Schedule of Employer Contributions - OPEB**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
06/30/09	\$ 1,129,500	02.00%
06/30/10	1,146,300	19.90%
06/30/11	1,163,800	21.20%
06/30/12	1,271,200	(0.48)%

TOWN OF EAST LYME, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS - BUDGET AND ACTUAL -  
 GENERAL FUND  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes, interest and lien fees	\$ 45,514,455	\$ 45,514,455	\$ 45,043,599	\$ (470,856)
Intergovernmental	8,940,322	9,017,367	9,132,358	114,991
Charges for services	4,390,084	4,390,084	4,500,461	110,377
Income from investments	62,000	62,000	59,720	(2,280)
<b>Total revenues</b>	<b>58,906,861</b>	<b>58,983,906</b>	<b>58,736,138</b>	<b>(247,768)</b>
<b>EXPENDITURES</b>				
Current:				
General government	6,075,940	6,066,931	5,710,654	356,277
Public safety	3,377,819	3,462,982	3,351,853	111,129
Public works	3,484,812	3,516,369	3,253,218	263,151
Health and welfare	259,365	265,107	244,473	20,634
Culture and recreation	1,847,094	1,830,463	1,772,401	58,062
Education	40,494,179	40,494,179	40,332,538	161,641
Capital outlay	607,119	689,439	671,222	18,217
Debt service	5,206,083	5,206,083	5,206,044	39
<b>Total expenditures</b>	<b>61,352,411</b>	<b>61,531,553</b>	<b>60,542,403</b>	<b>989,150</b>
<b>Revenues over (under) expenditures</b>	<b>(2,445,550)</b>	<b>(2,547,647)</b>	<b>(1,806,265)</b>	<b>741,382</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,992,050	1,992,050	1,944,469	(47,581)
Use of Fund Balance	453,500	453,500	-	(453,500)
<b>Total other financing sources (uses)</b>	<b>2,445,550</b>	<b>2,445,550</b>	<b>1,944,469</b>	<b>(501,081)</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ (102,097)</b>	<b>\$ 138,204</b>	<b>\$ 240,301</b>

See note to required supplementary information

## TOWN OF EAST LYME, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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#### General Fund

The Town establishes its general fund budget in accordance with provisions of its Town Charter and Connecticut General Statutes.

- A budget for the general fund is authorized by the Board of Finance. The Board of Finance follows these procedures in establishing the budgetary data reflected in the financial statements:
  - The citizens of the Town vote on the recommended budget.
  - The Board of Finance sets the tax rate for the fiscal year.
  - All budget transfers must be approved by the Board of Finance.
  - All unencumbered appropriations of the general fund lapse at year-end.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- 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 within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over \$10,000, Town Meeting approval.
- During the year, additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen act on the requests, which, if approved, are sent to the Board of Finance. The Board of Finance then acts on the requests.
- Any additional appropriation requires approval at a Town Meeting if it exceeds \$10,000 or is a second request by the asking board commission or department. Additional appropriations for the year ended June 30, 2012 aggregated approximately \$77,000 for the General Fund.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except for those in the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

(Continued)

**TOWN OF EAST LYME, CONNECTICUT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION. Continued**  
**June 30, 2012**

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A reconciliation of General Fund operations presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") to the amounts presented on the budgetary basis is as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
	<u>                    </u>	<u>                    </u>
Balance, budgetary basis	\$ 60,680,607	\$ 60,542,403
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	3,946,000	3,946,000
Refunding, net	7,799,838	7,678,748
GASB 54 effect	1,730,520	1,665,114
Encumbrances:		
June 30, 2011	-	83,530
June 30, 2012	-	(364,889)
	<u>                    </u>	<u>                    </u>
Balance, GAAP basis	<u>\$ 74,156,965</u>	<u>\$ 73,550,906</u>

**Supplemental and Individual and Combining  
Fund Financial Statements and Other Schedules**



**General Fund**

## **General Fund**

The general fund is the principal fund of the Town and is used to account for all activities of the Town, 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, health, social services, recreation, education, etc.) These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF EAST LYME, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -  
BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>TAXES, INTEREST AND LIEN FEES</b>				
Current Taxes	\$ 44,863,680	\$ 44,863,680	\$ 44,472,213	\$ (391,467)
Prior Taxes	400,000	400,000	331,468	(68,532)
Interest and Lien Fees	250,775	250,775	239,918	(10,857)
<b>Total taxes, interest and lien fees</b>	<b>45,514,455</b>	<b>45,514,455</b>	<b>45,043,599</b>	<b>(470,856)</b>
<b>INTERGOVERNMENTAL</b>				
Education cost sharing	7,100,611	7,100,611	7,146,111	45,500
Transportation	67,384	67,384	58,074	(9,310)
Town aid roads	160,313	160,313	162,169	1,856
Local Capital Improvement	123,543	123,543	53,403	(70,140)
Youth Service Bureau	24,700	24,700	27,227	2,527
Tax relief-telephone taxes	83,795	83,795	63,253	(20,542)
PILOT - State owned property	750,630	750,630	750,938	308
Pequot fund	326,387	326,387	334,320	7,933
PILOT - Hospital and Colleges	43,848	43,848	43,847	(1)
Tax relief machinery and equipment	-	-	17,810	17,810
Tax relief for elderly	92,867	92,867	112,243	19,376
Tax relief for disabled	900	900	1,051	151
Civil Preparedness	30,000	30,000	1,522	(28,478)
Tax relief for boats	22,320	22,320	22,870	550
Tax relief for veterans	14,000	14,000	-	(14,000)
State grant - CERT	4,000	4,000	-	(4,000)
State grant - DUI	-	55,795	22,019	(33,776)
Other grants	95,024	116,274	315,501	199,227
<b>Total intergovernmental</b>	<b>8,940,322</b>	<b>9,017,367</b>	<b>9,132,358</b>	<b>114,991</b>
<b>CHARGES FOR SERVICES</b>				
<b>Licenses and Permits:</b>				
Building permits	200,000	200,000	196,375	(3,625)
Beach and recreation town funds	104,300	104,300	103,046	(1,254)
ZBA and planning commission	10,580	10,580	11,893	1,313
Conveyance tax	230,000	230,000	204,658	(25,342)
Dog licenses	12,425	12,425	12,421	(4)
Town Clerk fees	155,000	155,000	159,708	4,708
Zoning commission - Maps and permits	55,000	55,000	26,657	(28,343)
Solid waste removal license	525	525	375	(150)
Shellfish Permits	2,150	2,150	80	(2,070)
Youth services	30,000	30,000	24,277	(5,723)
Wetland Fees	3,900	3,900	4,240	340

(Continued)

TOWN OF EAST LYME, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>CHARGES FOR SERVICES, CONTINUED</b>				
<b>Licenses and Permits, Continued:</b>				
Conservation permits	15,000	15,000	-	(15,000)
Mooring Permits	4,765	4,765	6,775	2,010
<b>Total licenses and permits</b>	<b>823,645</b>	<b>823,645</b>	<b>750,505</b>	<b>(73,140)</b>
<b>Fines and Forfeits:</b>				
Parking Fees	8,500	8,500	9,356	856
Extra duty - police and fire	27,750	27,750	48,476	20,726
TC office fees	4,100	4,100	4,652	552
TC Fish and Game fees	750	750	465	(285)
<b>Total fines and forfeits</b>	<b>41,100</b>	<b>41,100</b>	<b>62,949</b>	<b>21,849</b>
<b>CHARGES FOR SERVICES</b>				
Tuition - other districts	2,702,554	2,702,554	2,859,723	157,169
Rent - cini park	12,260	12,260	11,869	(391)
Debt payment - Salem	92,353	92,353	92,353	-
Tipping fees commercial	313,000	313,000	251,072	(61,928)
Transportation subsidy	50,497	50,497	46,332	(4,165)
Recycling - other	24,000	24,000	28,944	4,944
Recycling - newspaper/cardboard	20,000	20,000	66,941	46,941
MSW containers	2,500	2,500	2,565	65
Kiducation	100	100	189	89
Pistol, Fire, & Loding	3,000	3,000	5,710	2,710
Assessor	4,000	4,000	3,631	(369)
Aging	51,700	51,700	46,166	(5,534)
Landfill deposits	155,000	155,000	139,419	(15,581)
Financial department	80,000	80,000	85,901	5,901
Tax collector	600	600	626	26
BOE miscellaneous	-	-	47	47
Police	100	100	-	(100)
Selectman's office	900	900	160	(740)
Miscellaneous other	-	-	55	55
Smith-Harris commission	1,000	1,000	911	(89)
Town miscellaneous	5,000	5,000	44,393	39,393
Water and sewer services	6,775	6,775	-	(6,775)
<b>Total charges for services</b>	<b>3,525,339</b>	<b>3,525,339</b>	<b>3,687,007</b>	<b>161,668</b>
<b>Total charges for services</b>	<b>4,390,084</b>	<b>4,390,084</b>	<b>4,500,461</b>	<b>110,377</b>
<b>INCOME FROM INVESTMENTS</b>				
Interest Income	62,000	62,000	59,720	(2,280)
<b>Total revenues</b>	<b>58,906,861</b>	<b>58,983,906</b>	<b>58,736,138</b>	<b>(247,768)</b>

(Continued)

TOWN OF EAST LYME, CONNECTICUT

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES</b>				
Use of Fund Balance	453,500	453,500	-	(453,500)
Transfers in	1,992,050	1,992,050	1,944,469	(47,581)
	<u>2,445,550</u>	<u>2,445,550</u>	<u>1,944,469</u>	<u>(501,081)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 61,352,411</u>	<u>\$ 61,429,456</u>	<u>\$ 60,680,607</u>	<u>\$ (748,849)</u>

(Concluded)

TOWN OF EAST LYME, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>GENERAL GOVERNMENT</b>				
First Selectman	\$ 214,748	\$ 219,168	\$ 215,224	\$ 3,944
Assessor's office	186,155	188,032	180,417	7,615
Tax collector	158,949	160,577	157,761	2,816
Building official	152,829	154,721	145,053	9,668
Town engineer	244,797	248,691	246,805	1,886
Human resources	23,624	48,017	45,956	2,061
Town clerk	182,383	192,502	183,825	8,677
Health department	131,541	131,541	131,541	-
Information Technology	79,470	80,687	80,357	330
Registrars	95,378	96,486	87,756	8,730
Judge of Probate	10,687	10,687	10,687	-
Maintenance of town buildings	659,874	659,874	646,306	13,568
General government and benefits	3,206,045	3,240,272	3,078,502	161,770
Community services	24,951	24,951	24,951	-
Zoning commission	78,863	81,644	78,431	3,213
Planning department	65,883	69,165	67,929	1,236
Finance department	220,810	223,764	219,852	3,912
Contingency funds	235,000	131,569	32,973	98,596
Board of finance	36,000	36,000	34,385	1,615
Board of assessment appeals	8,804	8,804	2,321	6,483
Zoning board of appeals	950	950	358	592
Economic Development Commission	5,900	6,030	3,790	2,240
Inlands Wetlands Agency	24,575	24,575	14,735	9,840
Conservation commission	2,100	2,100	820	1,280
Waterford/ East Lyme shellfish commission	500	500	500	-
Smith-Harris Commission	12,150	12,650	9,112	3,538
Town building committee	900	900	540	360
Harbor management commission	12,074	12,074	9,767	2,307
<b>Total General Government</b>	<b>6,075,940</b>	<b>6,066,931</b>	<b>5,710,654</b>	<b>356,277</b>
<b>PUBLIC SAFETY</b>				
Police department	1,892,467	1,976,656	1,911,217	65,439
Niantic fire department	466,616	470,610	459,512	11,098
Flanders fire department	343,315	346,310	335,948	10,362
Emergency management	619,388	613,373	589,440	23,933
Animal Control	56,033	56,033	55,736	297
<b>Total public safety</b>	<b>3,377,819</b>	<b>3,462,982</b>	<b>3,351,853</b>	<b>111,129</b>
<b>PUBLIC WORKS</b>				
Highways and sanitation	3,484,812	3,516,369	3,253,218	263,151
<b>Total public works</b>	<b>3,484,812</b>	<b>3,516,369</b>	<b>3,253,218</b>	<b>263,151</b>

(Continued)

TOWN OF EAST LYME, CONNECTICUT

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS -  
 BUDGET AND ACTUAL, Continued  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>HEALTH AND WELFARE</b>				
Commission on aging	244,377	250,119	236,311	13,808
Visiting nurses association	14,988	14,988	8,162	6,826
<b>Total health and welfare</b>	<b>259,365</b>	<b>265,107</b>	<b>244,473</b>	<b>20,634</b>
<b>BOARD OF EDUCATION</b>				
	40,494,179	40,494,179	40,332,538	161,641
<b>CULTURE AND RECREATION</b>				
East Lyme public library	999,449	999,449	999,449	-
Parks and recreation	708,596	709,909	689,888	20,021
Youth Services Commission	139,049	121,105	83,064	38,041
<b>Total culture and recreation</b>	<b>1,847,094</b>	<b>1,830,463</b>	<b>1,772,401</b>	<b>58,062</b>
<b>CAPITAL OUTLAY</b>				
Town - Capital improvement program	607,119	665,183	647,154	18,029
Town - Special Appropriations	-	24,256	24,068	188
<b>Total capital outlay</b>	<b>607,119</b>	<b>689,439</b>	<b>671,222</b>	<b>18,217</b>
<b>DEBT SERVICE</b>				
Redemption of debt - principal	4,012,971	4,012,971	4,012,971	-
Interest payments	1,193,112	1,193,112	1,193,073	39
<b>Total debt service</b>	<b>5,206,083</b>	<b>5,206,083</b>	<b>5,206,044</b>	<b>39</b>
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 61,352,411</b>	 <b>\$ 61,531,553</b>	 <b>\$ 60,542,403</b>	 <b>\$ 989,150</b>

(Concluded)

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## **Nonmajor Governmental Funds**

## **NONMAJOR GOVERNMENTAL FUNDS**

### ***Special Revenue Funds***

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

**Water Fund** – the fund is to account for the activities of the Town's' Water Department.

**School Lunch Fund** - is used to account for operations of the school lunch program, including the receipt and expenditure of related federal and state funding.

**Special Education Grant Fund** - is used to account for U.S. Department of Education and Connecticut Department of Education grants, as well as local grants relating to education.

**Historic Preservation Fund** - is used to account for land record receipts earmarked for preservation of Town documents.

### ***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 Town's programs.

**McCook Point Memorial Fund** – is used to account for a donation to support Town projects.

TOWN OF EAST LYME, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue				Permanent	Total Nonmajor Funds
	Water Department	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Fund	
<b>ASSETS</b>						
Cash	\$ 868,792	\$ 78,615	\$ 138,675	\$ -	\$ 911	\$ 1,086,993
Intergovernmental receivables	16,654	24,530	155,028	-	-	196,212
Assessments/user charges	581,769	-	-	-	-	581,769
Inventory	27,250	-	-	-	-	27,250
Due from other funds	4,889	-	-	2,479	-	7,368
<b>Total assets</b>	<b>\$ 1,499,354</b>	<b>\$ 103,145</b>	<b>\$ 293,703</b>	<b>\$ 2,479</b>	<b>\$ 911</b>	<b>\$ 1,899,592</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
Liabilities						
Accounts payable	\$ 392,743	\$ 173,174	\$ 15,400	\$ -	\$ -	\$ 581,317
Due to other funds	133,720	-	-	-	-	133,720
Unearned revenue	-	-	278,303	-	-	278,303
Deferred revenue	479,406	-	-	-	-	479,406
<b>Total liabilities</b>	<b>1,005,869</b>	<b>173,174</b>	<b>293,703</b>	<b>-</b>	<b>-</b>	<b>1,472,746</b>
Fund Balances (Deficits)						
Nonspendable	27,250	-	-	-	910	28,160
Restricted	-	-	-	2,479	1	2,480
Committed	466,235	-	-	-	-	466,235
Unassigned	-	(70,029)	-	-	-	(70,029)
<b>Total fund balances (deficits)</b>	<b>493,485</b>	<b>(70,029)</b>	<b>-</b>	<b>2,479</b>	<b>911</b>	<b>426,846</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,499,354</b>	<b>\$ 103,145</b>	<b>\$ 293,703</b>	<b>\$ 2,479</b>	<b>\$ 911</b>	<b>\$ 1,899,592</b>

TOWN OF EAST LYME, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ending June 30, 2012

	Special Revenue				Permanent Fund	Total Nonmajor Funds
	Water Department	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Funds	
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 176,019	\$ 970,176	\$ 3,500	\$ -	\$ 1,149,695
Charges for services	2,162,234	790,911	-	3,587	-	2,956,732
Interest income	30	-	-	-	1	31
<b>Total revenues</b>	<b>2,162,264</b>	<b>966,930</b>	<b>970,176</b>	<b>7,087</b>	<b>1</b>	<b>4,106,458</b>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	-	-	-	14,124	-	14,124
Public works	1,761,303	-	-	-	-	1,761,303
Education	-	980,268	970,176	-	-	1,950,444
Debt service	409,936	-	-	-	-	409,936
<b>Total expenditures</b>	<b>2,171,239</b>	<b>980,268</b>	<b>970,176</b>	<b>14,124</b>	<b>-</b>	<b>4,135,807</b>
<b>Revenues over (under) expenditures</b>	<b>(8,975)</b>	<b>(13,338)</b>	<b>-</b>	<b>(7,037)</b>	<b>1</b>	<b>(29,349)</b>
<b>FUND BALANCES (DEFICITS), beginning</b>						
	502,460	(56,691)	-	9,516	910	456,195
<b>FUND BALANCES (DEFICITS), ending</b>						
	\$ 493,485	\$ (70,029)	\$ -	\$ 2,479	\$ 911	\$ 426,846

**Fiduciary Funds**

## **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.

### **Private-Purpose Trust Funds**

A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in a pension trust fund or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

### **Agency Funds**

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

**Student Activity Fund** - is used to receive student funds and promote the educational and student activities of students.

**Performance Bonds** - is used to account for performance bonds held by the Town until such time the bonds are released.

TOWN OF EAST LYME, CONNECTICUT

COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

June 30, 2012

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Cash	\$ 33,030	\$ 3,110	\$ 36,140
<b>Total assets</b>	<b>33,030</b>	<b>3,110</b>	<b>36,140</b>
<b>NET ASSETS HELD IN TRUST FOR OTHER PURPOSES</b>	<b>\$ 33,030</b>	<b>\$ 3,110</b>	<b>\$ 36,140</b>

TOWN OF EAST LYME, CONNECTICUT

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2012**

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Private	\$ 7,106	\$ -	\$ 7,106
<b>Total contributions</b>	<b>7,106</b>	<b>-</b>	<b>7,106</b>
Investments:			
Interest income	48	1	49
<b>Total investment income</b>	<b>48</b>	<b>1</b>	<b>49</b>
<b>DEDUCTIONS</b>			
Expense	1,084	-	1,084
<b>Changes in net assets</b>	<b>6,070</b>	<b>1</b>	<b>6,071</b>
<b>NET ASSETS, July 1, 2011</b>	<b>26,960</b>	<b>3,109</b>	<b>30,069</b>
<b>NET ASSETS, June 30, 2012</b>	<b>\$ 33,030</b>	<b>\$ 3,110</b>	<b>\$ 36,140</b>

TOWN OF EAST LYME, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS  
 June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>ASSETS</b>				
Cash and cash equivalents:				
Student activity fund	\$ 587,200	\$ 903,992	\$ 876,288	\$ 614,904
Performance bonds	1,943,383	-	721,427	1,221,956
<b>Total assets</b>	<b>2,530,583</b>	<b>903,992</b>	<b>1,597,715</b>	<b>1,836,860</b>
<b>LIABILITIES</b>				
Student activity fund	\$ 587,200	\$ 903,992	\$ 876,288	\$ 614,904
Performance bonds	1,943,383	-	721,427	1,221,956
<b>Total liabilities</b>	<b>\$ 2,530,583</b>	<b>\$ 903,992</b>	<b>\$ 1,597,715</b>	<b>\$ 1,836,860</b>

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**Capital Assets Used in the Operation  
of Governmental Funds**

**CAPITAL ASSETS USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**

Capital assets used in governmental fund type operations are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their market value on the date donated.

TOWN OF EAST LYME, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY CATEGORY  
June 30, 2012

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**Governmental funds capital assets:**

Land	\$ 13,308,047
Construction in progress	4,495,456
Buildings and improvements	120,147,698
Machinery and equipment	6,025,500
Vehicles	7,363,078
Infrastructure	20,179,134
Water distribution system	22,042,033
<b>Total governmental funds capital assets</b>	<b><u>\$ 193,560,946</u></b>

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**Other Schedules**



TOWN OF EAST LYME, CONNECTICUT

BALANCE SHEET - BY ACCOUNT - GENERAL FUND

June 30, 2012

	General Fund	Board of Education Special Fund	NBB Maintenance Fund	Parks and Recreation Fund	Eliminate Interfund Receivables	Totals
<b>ASSETS</b>						
Cash	\$ 3,666,838	\$ 699,797	\$ -	\$ -	\$ -	\$ 4,366,635
Investments	2,520,007	-	-	-	-	2,520,007
Intergovernmental receivables	283,936	-	-	1,367	-	285,303
Property taxes	1,614,622	-	-	-	-	1,614,622
Assessments/user charges	56,932	-	-	-	-	56,932
Other	351,896	-	-	-	-	351,896
Due from other funds	282,993	-	-	82,790	(82,790)	282,993
<b>Total assets</b>	<b>\$ 8,777,224</b>	<b>\$ 699,797</b>	<b>\$ -</b>	<b>\$ 84,157</b>	<b>\$ (82,790)</b>	<b>\$ 9,478,388</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,307,230	\$ -	\$ -	\$ 3,582	\$ -	\$ 1,310,812
Due to other funds	401,847	-	-	-	(82,790)	319,057
Unearned revenue	222,756	-	-	-	-	222,756
Deferred revenue	1,664,739	-	-	-	-	1,664,739
<b>Total liabilities</b>	<b>3,596,572</b>	<b>-</b>	<b>-</b>	<b>3,582</b>	<b>(82,790)</b>	<b>3,517,364</b>
<b>FUND BALANCES</b>						
Assigned	364,889	699,797	-	80,575	-	1,145,261
Unassigned	4,815,763	-	-	-	-	4,815,763
<b>Total fund balances</b>	<b>5,180,652</b>	<b>699,797</b>	<b>-</b>	<b>80,575</b>	<b>-</b>	<b>5,961,024</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,777,224</b>	<b>\$ 699,797</b>	<b>\$ -</b>	<b>\$ 84,157</b>	<b>\$ (82,790)</b>	<b>\$ 9,478,388</b>

TOWN OF EAST LYME, CONNECTICUT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BY ACCOUNT -  
GENERAL FUND

For the Year Ended June 30, 2012

	General Fund	Board of Education Special Fund	NBB Maintenance Fund	Parks and Recreation Fund	Totals
<b>REVENUES</b>					
Property taxes	\$ 45,043,599	\$ -	\$ -	\$ -	\$ 45,043,599
Intergovernmental	13,078,358	-	-	3,300	13,081,658
Charges for services	4,500,461	1,434,730	-	292,115	6,227,306
Interest income	59,720	375	-	-	60,095
<b>Total revenues</b>	<b>62,682,138</b>	<b>1,435,105</b>	<b>-</b>	<b>295,415</b>	<b>64,412,658</b>
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	1,772,402	-	-	270,128	2,042,530
Public works	3,558,571	-	2,272	-	3,560,843
Education	44,067,107	1,392,714	-	-	45,459,821
General government	5,709,031	-	-	-	5,709,031
Public safety	3,347,534	-	-	-	3,347,534
Health and welfare	241,898	-	-	-	241,898
Capital outlay	130,887	-	-	-	130,887
Debt service:					
Principal	4,012,971	-	-	-	4,012,971
Interest	1,314,163	-	-	-	1,314,163
<b>Total expenditures</b>	<b>64,154,564</b>	<b>1,392,714</b>	<b>2,272</b>	<b>270,128</b>	<b>65,819,678</b>
<b>Revenues over (under) expenditures</b>	<b>(1,472,426)</b>	<b>42,391</b>	<b>(2,272)</b>	<b>25,287</b>	<b>(1,407,020)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,944,469	-	-	-	1,944,469
Transfers (out)	(50,000)	-	-	(2,480)	(52,480)
Bond premium	469,838	-	-	-	469,838
Issuance of bonds	7,330,000	-	-	-	7,330,000
Payment to escrow	(7,678,748)	-	-	-	(7,678,748)
<b>Total other financing sources (uses)</b>	<b>2,015,559</b>	<b>-</b>	<b>-</b>	<b>(2,480)</b>	<b>2,013,079</b>
<b>Change in fund balances</b>	<b>543,133</b>	<b>42,391</b>	<b>(2,272)</b>	<b>22,807</b>	<b>606,059</b>
<b>FUND BALANCES, beginning</b>	<b>4,637,519</b>	<b>657,406</b>	<b>2,272</b>	<b>57,768</b>	<b>5,354,965</b>
<b>FUND BALANCES, ending</b>	<b>\$ 5,180,652</b>	<b>\$ 699,797</b>	<b>\$ -</b>	<b>\$ 80,575</b>	<b>\$ 5,961,024</b>

TOWN OF EAST LYME, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2012

Grand List Year	Balance Uncollected July 1, 2011	Current Levy	Lawful Corrections			Transfers to Suspend	Balance to be Collected	Collections				Balance Uncollected June 30, 2012
			Additions	Deletions				Taxes	Interest and Lien Fees	Total	Refunds	
1996	\$ 3,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,066	\$ -	\$ -	\$ -	\$ -	\$ 3,066
1997	3,273	-	-	-	-	-	3,273	-	-	-	-	3,273
1998	3,070	-	-	-	-	-	3,070	31	69	100	-	3,039
1999	3,431	-	-	-	-	-	3,431	32	66	98	-	3,399
2000	4,822	-	-	-	-	-	4,822	-	-	-	-	4,822
2001	5,682	-	-	-	195	-	5,487	-	-	-	-	5,487
2002	8,256	-	-	-	518	-	7,738	560	814	1,374	-	7,178
2003	12,971	-	-	-	868	-	12,103	693	929	1,622	-	11,410
2004	21,749	-	-	460	2,849	-	18,440	326	230	556	-	18,114
2005	50,255	-	-	-	6,956	-	43,299	2,578	1,752	4,330	-	40,721
2006	59,681	-	-	-	4,759	-	54,922	5,525	2,271	7,796	-	49,397
2007	89,824	-	-	47,582	6,581	-	35,661	(26,427)	12,125	(14,302)	-	62,088
2008	210,156	-	-	47,920	2,806	-	159,430	35,849	30,000	65,849	875	124,456
2009	613,963	-	558	72,714	1,159	-	540,648	316,153	74,635	390,788	2,977	227,472
2010	-	45,388,421	14,530	279,187	1,137	-	45,122,627	44,491,772	113,239	44,605,011	92,011	722,866
	<u>\$ 1,090,199</u>	<u>\$ 45,388,421</u>	<u>\$ 15,088</u>	<u>\$ 447,863</u>	<u>\$ 27,828</u>		<u>\$ 46,018,017</u>	<u>\$ 44,827,092</u>	<u>\$ 236,130</u>	<u>\$ 45,063,222</u>	<u>\$ 95,863</u>	<u>\$ 1,286,788</u>

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