

# **Town of East Lyme, Connecticut**

Financial Report  
June 30, 2014



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## Independent Auditor's Report

To the Board of Finance  
Town of East Lyme, Connecticut

### Report on the Financial Statements

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 (the "Town") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Lyme, Connecticut as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, the schedules of funding progress and employer contributions, budgetary comparison information and the Town's net pension liability and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*McGladrey LLP*

New Haven, Connecticut  
February 23, 2015

**Town of East Lyme, Connecticut**  
**Management's Discussion and Analysis - unaudited**  
**June 30, 2014**

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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, 2014.

**Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the fiscal year by \$121.3 million (*net position*).

The Town's total net position decreased by \$1.4 million.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15.2 million, an increase of \$4.2 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 7.5% of total general fund budgeted expenditures and transfers out of \$63.9 million.

The Town's total bond/note debt increased by \$5.6 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 position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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 (deferred outflows of resources) exceeded liabilities (deferred inflows of resources) by \$121.3 million at the close of the fiscal year.

By far the largest portion of the Town's net position (87.3%) 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 are 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 STATEMENT OF NET POSITION JUNE 30, 2014 and 2013

	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 30,315	\$ 38	\$ 30,353	\$ 30,620	\$ 269	\$ 30,889
Capital assets	111,175	47,569	158,745	106,606	48,430	155,036
<b>Total Assets</b>	<b>141,491</b>	<b>47,607</b>	<b>189,098</b>	<b>137,226</b>	<b>48,699</b>	<b>185,925</b>
Deferred amounts on refunding	1,264	-	1,264	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>1,264</b>	<b>-</b>	<b>1,264</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other liabilities	10,958	63	11,021	13,822	109	13,931
Long-term liabilities	57,643	-	57,643	49,361	-	49,361
<b>Total Liabilities</b>	<b>68,601</b>	<b>63</b>	<b>68,664</b>	<b>63,183</b>	<b>109</b>	<b>63,292</b>
Advanced tax collections	438	-	438	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>438</b>	<b>-</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Position:						
Net investment in capital assets	58,344	47,569	105,913	56,977	48,430	105,407
Restricted	7	-	7	8	-	8
Unrestricted	15,365	(25)	15,340	17,058	160	17,218
<b>Total Net Position</b>	<b>\$ 73,716</b>	<b>\$ 47,544</b>	<b>\$ 121,260</b>	<b>\$ 74,043</b>	<b>\$ 48,590</b>	<b>\$ 122,633</b>

**TOWN OF EAST LYME, CONNECTICUT  
SUMMARY STATEMENT OF ACTIVITIES  
JUNE 30, 2014 and 2013**

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	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	\$ 9,598	\$ 1,774	\$ 11,372	\$ 10,555	\$ 1,768	\$ 12,324
Operating grants and contributions	13,710	-	13,710	13,118	-	13,118
Capital grants and contributions	1,598	-	1,598	543	-	543
<b>General Revenues:</b>						
Property Taxes	48,156	-	48,156	46,732	-	46,732
Grants, contributions not restricted to specific programs	1,494	-	1,494	1,304	-	1,304
Miscellaneous	1,152	-	1,152	1,022	-	1,022
Investment income	55	-	55	52	-	52
<b>Total Revenues</b>	<b>\$ 75,763</b>	<b>\$ 1,774</b>	<b>\$ 77,537</b>	<b>\$ 73,327</b>	<b>\$ 1,768</b>	<b>\$ 75,095</b>
<b>Expenses:</b>						
<b>Program Activities</b>						
<b>Primary Government:</b>						
General government	\$ 7,478	\$ -	\$ 7,478	\$ 7,422	\$ -	\$ 7,422
Public safety	3,872	-	3,872	3,865	-	3,865
Public works	8,405	-	8,405	7,242	-	7,242
Health and welfare	257	-	257	464	-	464
Culture and recreation	2,328	-	2,328	2,181	-	2,181
Education	52,682	-	52,682	50,599	-	50,599
Interest expense	1,025	-	1,025	950	-	950
<b>Business-Type Activities:</b>						
Sewer department	-	2,863	2,863	-	2,828	2,828
<b>Total Expenses</b>	<b>76,047</b>	<b>2,863</b>	<b>78,909</b>	<b>72,723</b>	<b>2,828</b>	<b>75,551</b>
Capital contribution	-	-	-	-	397	397
Transfers in (out)	(43)	43	-	(914)	914	-
<b>Change in net position</b>	<b>(327)</b>	<b>(1,046)</b>	<b>(1,373)</b>	<b>(310)</b>	<b>251</b>	<b>(59)</b>
<b>Net Position - beginning</b>	<b>74,043</b>	<b>48,590</b>	<b>122,633</b>	<b>74,353</b>	<b>48,339</b>	<b>122,692</b>
<b>Net Position - ending</b>	<b>\$ 73,716</b>	<b>\$ 47,544</b>	<b>\$ 121,260</b>	<b>\$ 74,043</b>	<b>\$ 48,590</b>	<b>\$ 122,633</b>

**Governmental Activities**

For governmental activities, 63.6% of the revenues were derived from property taxes, followed by 22.2% from intergovernmental revenues and 12.7% for charges for services.

Major revenue factors included:

- Charges for services permit fees was over budget by \$0.4 million due primarily to building and zoning permits increase related to Gateway Commons coming to fruition. Parks and Recreation fees was also a contributing factor due to the opening of the new Amtrak Beach. In addition, there was an increase in conveyance fees for real estate transactions.
- Charges for services local fees was under budget by \$0.2 million due to less than projected local tuition fees. The actual number of students from out of district was less than originally anticipated.
- Operating transfer in was under budget by \$0.3 million due to making a mid-year adjustment down for Sewer Assessment contributions for debt service. This was necessary due to prior year advance payments and refunding of debt.
- Insurance reimbursement of \$1.1 million for the boardwalk.

For governmental activities, approximately 69.3% of the Town's expenses relate to education, 9.8% relate to general government, 11.1% relate to public works operations, 5.1% to public safety and the remaining 4.7% relate to interest expense, health and welfare, recreation and miscellaneous.

Major expense factors include:

- General Government expenses increased \$0.2 million.
- Debt Service expenses decreased \$0.175 million
- Capital expenses increased \$0.2 million
- Education expenses increase of \$0.7 million.

### **Business-Type Activities**

Business-type activities (Sewer Department) decreased the Town's net position by \$1.0 million, or 0.1%. This decrease was due primarily due to capital asset additions.

### **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, unassigned 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 \$6.4 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 7.5% of total general fund budgeted expenditures.

The fund balance for the Town's general fund increased by approximately \$0.2 million during the current fiscal year. A key factor in this is as follows:

- An increase in operating results due to expenditures coming in below budget.

The Sewer Assessments fund balance increased \$0.2 million as a result of the transfer out to the general fund of \$1.0 million less than prior year for the purpose of debt service.

The Bonded Project Fund increased \$1.3 million due primarily to the completion of various capital projects and bond proceeds.

The Capital Nonrecurring Fund increased \$2.5 million due primarily to the completion of various capital projects and the issuance of BANS.

**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 Position of the Sewer Department at the end of the year was \$47.5 million, a decrease of \$1.0 million over the prior year. Unrestricted net position for the Sewer Department reflected (\$25) thousand of total Net Position.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$0.7 million.

During the year, actual revenues, including transfers in, were \$63.0 million, which was less than budgetary estimates by \$0.7 million. Major contributors were:

- \$0.8 million less due to unused fund balance.
- \$0.3 million less due to transfers in
- \$0.4 million more combined net effect for various local fee estimates, mainly building permits.
- \$0.4 million greater than estimated due to various intergovernmental grants.

### **General Fund Budgetary Highlights**

#### **Expenditures**

Special appropriations during the year totaled \$693,002 as follows:

- \$9 thousand for Emergency Service NSEP Various Equipment Grant
- \$43 thousand for DUI Police overtime grant
- \$80 thousand for LoCIP Grant
- \$211 thousand for Carry-over Purchase Orders
- \$15 thousand Playscape Samuel Peretz Park from Undesignated Fund Balance
- \$5 thousand Curator Samuel Smith House
- \$180 thousand unbudgeted increase in Town Aid Road Grant
- \$7 thousand Building Department
- \$70 thousand OTI from CNRE
- \$73 carry-over balances Police Grant Overtime and Capital

### **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, 2014, amounted to \$155.0 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 \$0.5 million, an increase of 0.48%.

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

- Road reconstruction and improvement projects.
- The fifth year implementation of a vehicle acquisition program in accordance with a fleet plan including dump trucks, Police cruisers an automated trash/recycling truck, SUV's for NFD Chief and Fire Marshal, pick-up truck, Barber Surf Rake, Toro Infield Groomer, John Deere 65 HP Tractor.
- Construction of a new boat launch at Grand Street.
- Various Board of Education improvements including; Sprinkler system A-Wing ELHS, Hot Water Gas Conversion ELHS, Athletic Wing Hallways ELHS, Bleachers North Gym ELHS, LBH Electric Upgrade, parking lot Boiler Room ELHS and Concession Stand with restrooms at ELHS Athletic Facility.
- Capitalization of the additions to the water and sewer distribution systems.

**CAPITAL ASSETS, NET OF DEPRECIATION  
JUNE 30, 2014 AND 2013**

	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 13,308	\$ 608	\$ 13,916	\$ 13,308	\$ 608	\$ 13,916
Construction in progress	6,443	15	6,458	4,500	15	4,515
Water and Sewer distribution systems	15,168	43,618	58,786	10,598	44,391	54,990
Building and improvements	65,421	3,257	68,678	67,037	3,349	70,387
Vehicles	2,684	-	2,684	2,642	-	2,642
Machinery and equipment	4,171	72	4,242	4,157	66	4,223
Infrastructure	3,980	-	3,980	4,364	-	4,364
<b>Total</b>	<b>\$ 111,175</b>	<b>\$ 47,569</b>	<b>\$ 158,745</b>	<b>\$ 106,606</b>	<b>\$ 48,430</b>	<b>\$ 155,036</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 \$50.6 million, all of which is backed by the full faith and credit of the Town government.

**CHANGES IN TOWN DEBT  
JUNE 30, 2014 AND 2013**

	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 50,555	\$ -	\$ 50,555	\$ 44,938	\$ -	\$ 44,938

The Town's total bonded debt increased by \$5.6 million during the 2014 fiscal year due to the net impact of scheduled pay down of debt during the fiscal year and permanently bonding land acquisition, issuance of drinking water notes, capital improvement program projects and road improvements. 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 2015 budget tax rates, the primary factor being the economy. Unemployment in the Town is at 7% and 7.7% for 2013 and 2012. This compares with the State's average unemployment rate of 7.9% and 8.3% and is 1.2% lower than the New London County average rate of 8.2%.

### **Revenues**

The Town did anticipate increases in State funding in a number of areas as detailed below, however, it was necessary to hold the line with expenditure reductions with an overall increase in taxes of \$1.7 million. There was a modest increase in the grand list of 10/1/2013 of \$11 million or .006%. Significant revenue issues were as follows:

- Although the Town anticipates an increase of \$180 thousand in Town Aid Road funds from the state, this is to offset the expenditure of the grant.
- PILOT in lieu of taxes state grant increased by \$291 thousand due to improvements to Camp Niantic National Guard Facility.
- Other state grants are an additional \$62 thousand from the Pequot Fund and \$58 thousand in transportation for school students.
- The Town maintained various local fees collected based upon trend analysis. The Town increased building fees by \$145 thousand due to large projects finally coming to fruition.
- The Town increased Beach and Recreation Fees by \$30 thousand due to the opening of the new Amtrak Beach and Conveyance Fees by \$25 thousand due to noted increases in that area.
- A decrease of \$223 thousand for out-of-district tuition due to less than projected number of students coming to the district.
- A decrease in investment earnings of \$13 thousand due to continuing decline in interest rates.
- A decrease of \$397 thousand, operating transfer-in from Sewer Assessment Fund due to retired debt service and refunding of prior bond issues.

### **Expenditures**

The average wage increases for town employees was 2.85%, with increases allocated to beginning and mid-year year as a budget savings measure except for the firefighters receiving the entire increase effective July 1. The Board of Education adopted the same practice for two of its groups at 2.5% with beginning and mid-year as a budget savings measure. Administrators wage increases were 1.75% and teachers up to 1.2%. However, the two groups also received a step increase on January 1. Other non-union unaffiliated staff received 2.0%

The Board of Education requested a budget increase of \$1.4 million; the Board of Finance reduced the bottom line by \$.550 million to \$42.8 million. 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 2015 fiscal year. During the current fiscal year, unassigned fund balance in the general fund decreased to \$4.8 million. The Town did appropriate \$750,000 of fund balance for spending in the 2015 fiscal year budget.

Overall, the fiscal year 2014 – 2015 budget was increased \$1.9 million or 3.07%. Town government increased \$665 thousand (4.3%) over fiscal year 2014, debt service increased \$323 thousand (6.76%), and the Board of Education increased \$851 thousand (2%) from the prior year. Capital improvement expenditures were increased \$100 thousand (10%).

The following factors played a role in our setting the budget for fiscal year 2014 – 2015 both from 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 2015 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 2013/14 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 2014/2015 budget totals \$65.1 million, which represents a 3.07% increase in expenditures from the fiscal year 2014 adopted budget. The Town's mill rate increased from 23.349 to 24.03 a .681 or a 2.9% increase. 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 Position  
June 30, 2014

	Governmental Type Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 9,700,596	\$ 555,320	\$ 10,255,916
Investments	3,214,878	-	3,214,878
Receivables			
Property taxes, net of allowance for collection losses	2,146,981	-	2,146,981
Assessments/use charges	5,093,859	366,442	5,460,301
Intergovernmental	836,802	-	836,802
Internal Balances	921,771	(921,771)	-
Net Pension Asset	33,270	-	33,270
Other Assets	123,444	37,776	161,220
Restricted Cash	8,244,691	-	8,244,691
Capital Assets, not being depreciated	19,751,185	623,015	20,374,200
Capital Assets, net of accumulated depreciation	91,424,075	46,946,439	138,370,514
<b>Total assets</b>	<b>141,491,552</b>	<b>47,607,221</b>	<b>189,098,773</b>
<b>Deferred Outflows of Resources</b>			
Deferred charges on refundings	1,263,839	-	1,263,839
<b>Total deferred outflows of resources</b>	<b>1,263,839</b>	<b>-</b>	<b>1,263,839</b>
<b>Liabilities</b>			
Accounts Payable and Accruals	3,478,798	59,021	3,537,819
Accrued Interest Payable	737,010	-	737,010
Bond Anticipation Notes Payable	990,000	-	990,000
Meter Deposits	-	3,795	3,795
Unearned Revenue	28,258	-	28,258
Long-term Liabilities			
Due within one year	5,724,066	-	5,724,066
Due in more than one year	57,642,562	-	57,642,562
<b>Total liabilities</b>	<b>68,600,694</b>	<b>62,816</b>	<b>68,663,510</b>
<b>Deferred Inflows of Resources</b>			
Advanced tax collections	438,109	-	438,109
<b>Total deferred inflows of resources</b>	<b>438,109</b>	<b>-</b>	<b>438,109</b>
<b>Net Position</b>			
Net Investment in capital assets	58,343,837	47,569,454	105,913,291
Restricted:			
Culture and recreation	7,040	-	7,040
Unrestricted (deficit)	15,365,711	(25,049)	15,340,662
<b>Total net position</b>	<b>\$ 73,716,588</b>	<b>\$ 47,544,405</b>	<b>\$ 121,260,993</b>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 7,477,965	\$ 1,179,250	\$ -	\$ -	\$ (6,298,715)	\$ -	\$ (6,298,715)
Public safety	3,872,112	60,684	256,937	-	(3,554,491)	-	(3,554,491)
Public works	8,404,649	4,252,485	12,521	1,598,039	(2,541,604)	-	(2,541,604)
Health and welfare	257,258	-	30,566	-	(226,692)	-	(226,692)
Culture and recreation	2,328,288	606,521	4,000	-	(1,717,767)	-	(1,717,767)
Education	52,681,731	3,499,502	13,405,729	-	(35,776,500)	-	(35,776,500)
Interest expense	1,024,833	-	-	-	(1,024,833)	-	(1,024,833)
<b>Total governmental activities</b>	<b>76,046,836</b>	<b>9,598,442</b>	<b>13,709,753</b>	<b>1,598,039</b>	<b>(51,140,602)</b>	<b>-</b>	<b>(51,140,602)</b>
<b>Business-type Activities</b>							
Sewer department	2,862,602	1,773,513	-	-	-	(1,089,089)	(1,089,089)
<b>Total business-type activities</b>	<b>2,862,602</b>	<b>1,773,513</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,089,089)</b>	<b>(1,089,089)</b>
<b>Total primary government</b>	<b>\$ 78,909,438</b>	<b>\$ 11,371,955</b>	<b>\$ 13,709,753</b>	<b>\$ 1,598,039</b>	<b>(51,140,602)</b>	<b>(1,089,089)</b>	<b>(52,229,691)</b>
<b>General Revenues</b>							
Property taxes					48,155,551	-	48,155,551
Grants and contributions not restricted to specific programs					1,494,179	-	1,494,179
Income from investments					55,140	-	55,140
Miscellaneous					1,152,199	-	1,152,199
Transfers					(43,374)	43,374	-
<b>Total general revenues and transfers</b>					<b>50,813,695</b>	<b>43,374</b>	<b>50,857,069</b>
<b>Change in net position</b>					<b>(326,907)</b>	<b>(1,045,715)</b>	<b>(1,372,622)</b>
Net Position - beginning					74,043,495	48,590,120	122,633,615
Net Position - ending					<b>\$ 73,716,588</b>	<b>\$ 47,544,405</b>	<b>\$ 121,260,993</b>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Balance Sheet - Governmental Funds  
June 30, 2014

	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	\$ 5,198,996	\$ 562,837	\$ 6,900,337	\$ 1,344,354	\$ 946,894	\$ 14,953,418
Investments	3,214,878	-	-	-	-	3,214,878
Receivables (net of allowances for collection losses):						
Property taxes	2,146,981	-	-	-	-	2,146,981
Assessments/use charges	46,700	4,399,112	-	-	648,047	5,093,859
Intergovernmental	238,912	-	473,643	-	124,247	836,802
Advances to Other Funds	-	616,294	-	-	-	616,294
Due from Other Funds	79,845	912,935	145,545	348,160	31,558	1,518,043
Other	83,465	8,579	-	-	31,400	123,444
<b>Total assets</b>	<b>\$ 11,009,777</b>	<b>\$ 6,499,757</b>	<b>\$ 7,519,525</b>	<b>\$ 1,692,514</b>	<b>\$ 1,782,146</b>	<b>\$ 28,503,719</b>
<b>Liabilities</b>						
Accounts Payable and Accruals	\$ 1,801,040	\$ -	\$ 423,090	\$ 82,017	\$ 648,509	\$ 2,954,656
Due to Other Funds	81,144	15,282	352,088	20,806	182,336	651,656
Unearned Revenue	-	-	-	-	28,258	28,258
BANS	-	-	90,000	900,000	-	990,000
Advances from Other Funds	-	-	616,294	-	-	616,294
<b>Total liabilities</b>	<b>1,882,184</b>	<b>15,282</b>	<b>1,481,472</b>	<b>1,002,823</b>	<b>859,103</b>	<b>5,240,864</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	2,716,820	4,389,829	473,643	-	479,191	8,059,483
<b>Total deferred inflows of resources</b>	<b>2,716,820</b>	<b>4,389,829</b>	<b>473,643</b>	<b>-</b>	<b>479,191</b>	<b>8,059,483</b>
<b>Fund Balances (deficits)</b>						
Nonspendable	-	616,294	-	-	31,400	647,694
Restricted	-	-	5,564,410	689,691	7,040	6,261,141
Committed	-	1,478,352	-	-	531,762	2,010,114
Assigned	1,582,908	-	-	-	-	1,582,908
Unassigned (deficits)	4,827,865	-	-	-	(126,350)	4,701,515
<b>Total fund balances</b>	<b>6,410,773</b>	<b>2,094,646</b>	<b>5,564,410</b>	<b>689,691</b>	<b>443,852</b>	<b>15,203,372</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,009,777</b>	<b>\$ 6,499,757</b>	<b>\$ 7,519,525</b>	<b>\$ 1,692,514</b>	<b>\$ 1,782,146</b>	

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

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the Town as a whole.	111,175,260
Deferred inflows of resources	7,621,374
Deferred outflows of resources	1,263,839
Net pension asset	33,270
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(63,366,628)
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 position.	2,523,111
Accrued interest payable not recorded in the funds.	(737,010)
<b>Net position of governmental activities</b>	<b>\$ 73,716,588</b>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds  
For the Year Ended June 30, 2014

	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	\$ 47,820,460	\$ -	\$ -	\$ -	\$ -	\$ 47,820,460
Intergovernmental	14,329,374	-	1,372,606	83,383	1,256,106	17,041,469
Other revenues	-	-	1,152,199	-	-	1,152,199
Charges for services	6,516,242	1,218,662	-	140,935	3,029,176	10,905,015
Investment income	32,488	886	15,099	6,661	6	55,140
<b>Total revenues</b>	<b>68,698,564</b>	<b>1,219,548</b>	<b>2,539,904</b>	<b>230,979</b>	<b>4,285,288</b>	<b>76,974,283</b>
<b>Expenditures</b>						
Current:						
General government	5,910,531	-	-	-	-	5,910,531
Public safety	3,562,327	-	-	-	-	3,562,327
Public works	3,559,992	51,283	-	-	1,826,832	5,438,107
Health and welfare	253,594	-	-	-	-	253,594
Culture and recreation	2,225,864	-	-	-	7,411	2,233,275
Education	48,126,767	-	-	-	1,856,563	49,983,330
Capital outlay	849,452	-	7,203,481	2,465,317	-	10,518,250
Debt Service						
Principal retirements	3,540,943	-	-	-	459,154	4,000,097
Interest and other charges	1,273,447	-	2,820	-	-	1,276,267
<b>Total expenditures</b>	<b>69,302,917</b>	<b>51,283</b>	<b>7,206,301</b>	<b>2,465,317</b>	<b>4,149,960</b>	<b>83,175,778</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(604,353)</b>	<b>1,168,265</b>	<b>(4,666,397)</b>	<b>(2,234,338)</b>	<b>135,328</b>	<b>(6,201,495)</b>
<b>Other Financing Sources (Uses)</b>						
Capital leases	-	-	-	1,034,466	-	1,034,466
Transfers in	1,040,728	-	19,633	356,000	-	1,416,361
Transfers (out)	(276,000)	(936,728)	(80,000)	(122,708)	(44,299)	(1,459,735)
Issuance of drinking water notes	-	-	5,323,034	-	-	5,323,034
Issuance of bond anticipation notes	-	-	680,000	3,450,000	-	4,130,000
<b>Total other financing sources (uses)</b>	<b>764,728</b>	<b>(936,728)</b>	<b>5,942,667</b>	<b>4,717,758</b>	<b>(44,299)</b>	<b>10,444,126</b>
<b>Change in fund balances (deficits)</b>	<b>160,375</b>	<b>231,537</b>	<b>1,276,270</b>	<b>2,483,420</b>	<b>91,029</b>	<b>4,242,631</b>
Fund Balances (deficits), beginning	6,250,398	1,863,109	4,288,140	(1,793,729)	352,823	10,960,741
Fund Balances, ending	<b>\$ 6,410,773</b>	<b>\$ 2,094,646</b>	<b>\$ 5,564,410</b>	<b>\$ 689,691</b>	<b>\$ 443,852</b>	<b>\$ 15,203,372</b>

See Notes to Financial Statements.

**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, 2014**

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Net change in fund balances – total governmental funds	\$ 4,242,631
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.	4,728,158
Loss on disposal of capital assets	(159,154)
Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,210,979)
Change in net pension asset	(915)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,379,486)
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.	(1,406,893)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(140,269)</u>
Change in net position of governmental activities	<u>\$ (326,907)</u>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Net Position - Proprietary Funds  
June 30, 2014

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 555,320	\$ 2,991,869
Receivables:		
User charges	366,442	-
Other	27,626	-
Due from other funds	56,846	60,929
Inventory	10,150	-
<b>Total current assets</b>	<b>1,016,384</b>	<b>3,052,798</b>
Noncurrent Assets		
Capital assets, net of accumulated depreciation	47,569,454	-
<b>Total noncurrent assets</b>	<b>47,569,454</b>	<b>-</b>
<b>Total assets</b>	<b>48,585,838</b>	<b>3,052,798</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	22,381	51,654
Meter deposits	3,795	-
Claims payable	-	472,288
Due to other funds	978,617	5,745
Compensated absences	36,640	-
<b>Total liabilities</b>	<b>1,041,433</b>	<b>529,687</b>
<b>Net Position</b>		
Net Investment in capital assets	47,569,454	-
Unrestricted (deficit)	(25,049)	2,523,111
<b>Total net position</b>	<b>\$ 47,544,405</b>	<b>\$ 2,523,111</b>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Revenues, Expenses and Changes in  
Fund Net Position - Proprietary Funds  
For the Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Operating Revenues		
Charges for services and other	\$ 1,773,513	\$ 7,330,972
<b>Total operating revenues</b>	<u>1,773,513</u>	<u>7,330,972</u>
Operating Expenses		
General and administrative	83,622	811,893
Labor and maintenance	1,901,528	-
Claims	-	6,659,442
Depreciation	877,452	-
<b>Total operating expenses</b>	<u>2,862,602</u>	<u>7,471,335</u>
<b>Operating (loss)</b>	<u>(1,089,089)</u>	<u>(140,363)</u>
Nonoperating Revenues		
Investment income	-	94
<b>Total nonoperating revenues</b>	<u>-</u>	<u>94</u>
<b>Net (loss) before transfers</b>	<u>(1,089,089)</u>	<u>(140,269)</u>
Transfers and Other Financing Sources		
Transfers in	43,374	-
	<u>43,374</u>	<u>-</u>
<b>Change in net position</b>	<u>(1,045,715)</u>	<u>(140,269)</u>
Net Position, beginning	48,590,120	2,663,380
Net Position, ending	<u>\$ 47,544,405</u>	<u>\$ 2,523,111</u>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,810,197	\$ -
Payments to suppliers	(1,240,560)	-
Payment to employees	(548,112)	-
Receipts from premiums	-	7,451,800
Cash paid for claims and administration	-	(7,394,428)
<b>Net cash provided by operating activities</b>	<u>21,525</u>	<u>57,372</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(17,127)	-
<b>Net cash used in capital and related financing activities</b>	<u>(17,127)</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities		
Transfers in	43,374	-
<b>Net cash provided by noncapital financing activities</b>	<u>43,374</u>	<u>-</u>
Cash Flows Provided by Investing Activities		
Investment income	-	94
<b>Net cash provided by investing activities</b>	<u>-</u>	<u>94</u>
<b>Net increase in cash and cash equivalents</b>	47,772	57,466
Cash and Cash Equivalents		
Beginning	<u>507,548</u>	<u>2,934,403</u>
Ending	<u>\$ 555,320</u>	<u>\$ 2,991,869</u>

(Continued)

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds (Continued)  
For the Year Ended June 30, 2014

	Business-Type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
	Sewer Department	
<hr/>		
Reconciliation of Operating Loss to Net		
Cash Provided by Operating Activities		
Operating loss	\$ (1,089,089)	\$ (140,363)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	877,452	-
(Increase) decrease in:		
Inventory	850	-
Receivables	36,684	120,828
Due from other funds	50,468	(69)
Increase (decrease) in:		
Accounts and other payables	(45,759)	71,231
Due to other funds	190,919	5,745
	<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 21,525</b>	<b>\$ 57,372</b>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2014

	Pension Trust Fund	Private Purpose Trusts	Agency Funds
<b>Assets</b>			
Cash	\$ -	\$ 34,600	\$ 1,880,403
Investments	17,614,110	-	-
Accounts receivable	56,961	-	-
<b>Total assets</b>	<b>17,671,071</b>	<b>34,600</b>	<b>1,880,403</b>
<b>Liabilities</b>			
Payable to others	-	200	1,259,731
Due to student groups	-	-	620,672
<b>Total liabilities</b>	<b>-</b>	<b>200</b>	<b>1,880,403</b>
<b>Net Position - Restricted for Pension Benefits and Other Purposes</b>			
	<b>\$ 17,671,071</b>	<b>\$ 34,400</b>	<b>\$ -</b>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2014

	Pension Trust Fund	Private Purpose Trusts
<b>Additions</b>		
Contributions		
Employer	\$ 1,124,286	\$ -
Plan members	184,258	-
Other	-	1,149
<b>Total contributions</b>	<b>1,308,544</b>	<b>1,149</b>
Investment income		
Net appreciation in fair value of investments	2,260,807	-
Interest income	-	33
<b>Total investment income</b>	<b>2,260,807</b>	<b>33</b>
<b>Total additions</b>	<b>3,569,351</b>	<b>1,182</b>
<b>Deductions</b>		
Benefits	278,718	-
Administration	68,901	-
Other	-	1,046
<b>Total deductions</b>	<b>347,619</b>	<b>1,046</b>
<b>Change in net position</b>	<b>3,221,732</b>	<b>136</b>
Net Position - Restricted for Pension Benefits and Other, beginning	14,449,339	34,264
Net Position - Restricted for Pension Benefits and Other, ending	<b>\$ 17,671,071</b>	<b>\$ 34,400</b>

See Notes to Financial Statements.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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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 (GASB) have been considered and there are no agencies or entities which should be presented with the Town.

The Town adopted the following accounting standards in the current year:

*GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, was implemented as July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, deferred amounts on refundings were required to be reclassified to Deferred Outflows of Resources. In addition, amounts previously classified as deferred revenue were reclassified as deferred inflows of resources.

*GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, issued in June 2012, was effective for the City as of July 1, 2013. This Statement replaces the requirements of *Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and *Statement No. 50, Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The implementation of this statement had a material impact on the Town's disclosures for the Town's defined benefit plans that are reported as Pension Trust funds in the financial statements. See Note 11.

*GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*, became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the Town's financial statements.

Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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 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.

Restricted Cash: Certain assets are classified as restricted because their use is limited. Restricted cash is to be used for construction purposes.

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

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

Assets	Years
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 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 position. Bond principal premiums and discounts 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 expensed as incurred.

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.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### 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.

###### Governmental Funds and Governmental 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 pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 27. The net pension obligation (asset) 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 and Governmental 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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Net Position: In the Government-Wide and Proprietary Fund Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position – 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.

Unrestricted Net Position (Deficit) – This category represents the net position 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

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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 Position: The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds, and net position - governmental activities as reported in the government-wide statement of net position. 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	\$ 41,101,997
Bond premium	1,332,370
OPEB obligations	6,118,700
Compensated absences	1,899,693
Early retirement incentive	381,992
Drinking water notes	5,323,034
Bond anticipation notes	4,130,000
Capital leases payable	2,206,581
Claims and other	650,000
Landfill closure	181,870
SCRRA loan	40,391
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 63,366,628</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 reconciliation between net changes in fund balances - total governmental funds, and changes in net position 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	\$ 9,180,674
Depreciation expense	<u>(4,452,516)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,728,158</u>

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

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

Debt issued or incurred	
Issuance of bond anticipation notes	\$ (4,130,000)
Issuance of drinking water notes	(5,323,034)
Capital lease	(1,034,466)
Principal repayments	
General obligation debt	3,836,234
Capital lease	805,468
Amortization of deferred charges	(267,455)
Amortization of bond premium	224,908
Other	(491,141)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (6,379,486)</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	\$ (818,500)
Compensated absences	(252,685)
Early retirement incentives	156,703
Accrued interest	83,620
SCRRA loan	59,969
Claims and other	(650,000)
Landfill closure	14,000
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,406,893)</u>

#### 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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### **Note 3. Cash, Cash Equivalents and Investments (Continued)**

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, 2014, \$17,012,302 of the Town's bank balance of \$24,428,004 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**

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**Note 3. Cash, Cash Equivalents and Investments (Continued)**

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2014:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 16,135,727
State of Connecticut Short-Term Investment Fund	1,834,512
Cutwater-Connecticut Class Plus Account	<u>2,445,371</u>
Total cash and cash equivalents	<u>20,415,610</u>
Investments	
Pension Trust Funds	
Fixed income funds	5,891,216
Mutual funds	<u>11,722,894</u>
	17,614,110
General Fund	
Certificates of deposit	<u>3,214,878</u>
Total investments	<u>20,828,988</u>
Total cash, cash equivalents and investments	<u>\$ 41,244,598</u>

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

Statement of Net Position	
Cash and cash equivalents	\$ 18,500,607
Investments	<u>3,214,878</u>
	<u>21,715,485</u>
Fiduciary Funds	
Cash and cash equivalents	1,915,003
Investments	<u>17,614,110</u>
	<u>19,529,113</u>
Total cash, cash equivalents and investments	<u>\$ 41,244,598</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 3. Cash, Cash Equivalents and Investments (Continued)**

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:

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	6-10 Years
Pooled fixed income	\$ 4,279,883	\$ 4,279,883	\$ -

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.

Average Rating	Fixed Income Funds	Pooled Fixed Income
AAA	\$ 1,180,958	\$ -
AAAm	-	4,279,883
AA	599,635	-
A	1,011,257	-
BBB	801,266	-
BB	1,179,412	-
B	745,797	-
Below B	321,894	-
Other	50,997	-
	<u>\$ 5,891,216</u>	<u>\$ 4,279,883</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 13,308,047	\$ -	\$ -	\$ 13,308,047
Construction in progress	4,499,903	1,943,235	-	6,443,138
Total capital assets, not being depreciated	17,807,950	1,943,235	-	19,751,185
Capital assets, being depreciated:				
Buildings and improvements	123,618,174	420,765	-	124,038,939
Machinery and equipment	6,763,745	318,387	-	7,082,132
Vehicles	7,853,400	601,707	(490,459)	7,964,648
Infrastructure	19,749,943	826,225	-	20,576,168
Water distribution systems	22,042,033	5,070,355	-	27,112,388
Total capital assets, being depreciated	180,027,295	7,237,439	(490,459)	186,774,275
Total capital assets	197,835,245	9,180,674	(490,459)	206,525,460
Less accumulated depreciation for:				
Buildings and improvements	56,581,024	2,036,456	-	58,617,480
Machinery and equipment	4,121,326	277,250	-	4,398,576
Vehicles	3,696,770	428,536	(331,305)	3,794,001
Infrastructure	15,386,177	1,209,628	-	16,595,805
Water distribution systems	11,443,692	500,646	-	11,944,338
Total accumulated depreciation	91,228,989	4,452,516	(331,305)	95,350,200
Total capital assets, being depreciated, net	88,798,306	2,784,923	(159,154)	91,424,075
Governmental activities capital assets, net	\$ 106,606,256	\$ 4,728,158	\$ (159,154)	\$ 111,175,260

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 4. Capital Assets (Continued)**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 608,210	\$ -	\$ -	\$ 608,210
Construction in progress	14,805	-	-	14,805
Total capital assets, not being depreciated	623,015	-	-	623,015
Capital assets, being depreciated:				
Buildings and improvements	5,090,394	-	-	5,090,394
Machinery and equipment	607,884	8,332	-	616,216
Sewer distribution systems	58,939,658	8,795	-	58,948,453
Total capital assets, being depreciated	64,637,936	17,127	-	64,655,063
Total capital assets	65,260,951	17,127	-	65,278,078
Less accumulated depreciation for:				
Buildings and improvements	1,740,914	92,817	-	1,833,731
Machinery and equipment	541,891	2,719	-	544,610
Sewer distribution systems	14,548,367	781,916	-	15,330,283
Total accumulated depreciation	16,831,172	877,452	-	17,708,624
Total capital assets, being depreciated, net	47,806,764	(860,325)	-	46,946,439
Total business-type activities capital assets, net	\$ 48,429,779	\$ (860,325)	\$ -	\$ 47,569,454

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

Governmental activities	
General government	\$ 1,481,692
Public safety	258,361
Public works	751,371
Recreation	63,757
Education	1,897,335
Total depreciation expense - governmental activities	<u>\$ 4,452,516</u>
Business-type activities	
Sewer	\$ 877,452
Total depreciation expense - business-type activities	<u>\$ 877,452</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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

A summary of interfund balances as of June 30, 2014 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 79,845	\$ 81,144
Sewer Assessments Fund	912,935	15,282
Bonded Capital Projects Fund	145,545	352,088
Capital Nonrecurring Fund	348,160	20,806
Non-Major Governmental Funds and other	92,687	188,081
Enterprise Funds	56,846	978,617
Grand total	<u>\$ 1,636,018</u>	<u>\$ 1,636,018</u>

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.

\$616,294 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, 2014 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 1,040,728	\$ 276,000
Sewer Assessments Fund	-	936,728
Capital Nonrecurring Fund	356,000	122,708
Bonded Capital Projects Fund	19,633	80,000
Water Department	-	44,299
Enterprise Funds	43,374	-
Grand total	<u>\$ 1,459,735</u>	<u>\$ 1,459,735</u>

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**

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**Note 6. Unearned Revenue/Deferred Inflows of Resources**

Governmental funds report deferred inflows of resources 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 report unearned 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 inflows of resources reported in the governmental funds and governmental activities were as follows:

	Deferred Inflows	Unearned Revenues
	<u>                    </u>	<u>                    </u>
General Fund		
Delinquent property taxes receivable and interest	\$ 2,047,037	\$ -
Advance tax collections	438,109	-
Intergovernmental	193,127	-
Other	38,547	-
Sewer Assessments Fund		
Sewer assessments not yet due	4,389,829	-
Bonded Capital Projects:		
Intergovernmental	473,643	-
Other Nonmajor Governmental Funds		
Water usage unbilled	479,191	-
Grant drawdowns prior to meeting all eligibility requirements	-	28,258
Total deferred inflows/unearned revenue	<u>\$ 8,059,483</u>	<u>\$ 28,258</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 7. Long-Term Liabilities**

A summary of changes in outstanding long-term obligations during the year ended June 30, 2014 is as follows:

Description	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 44,938,231	\$ -	\$ 3,836,234	\$ 41,101,997	\$ 3,637,829
Bond anticipation notes	-	4,130,000	-	4,130,000	-
Drinking water notes	-	5,323,034	-	5,323,034	108,792
Bond premium	1,557,278	-	224,908	1,332,370	-
	<u>46,495,509</u>	<u>9,453,034</u>	<u>4,061,142</u>	<u>51,887,401</u>	<u>3,746,621</u>
Other long-term liabilities:					
OPEB obligations	5,300,200	818,500	-	6,118,700	-
Compensated absences	1,647,008	505,370	252,685	1,899,693	250,000
SCRRRA Loan	100,360	-	59,969	40,391	40,391
Capital lease obligations	1,977,583	1,034,466	805,468	2,206,581	855,630
Claims and other	-	650,000	-	650,000	650,000
Early retirement incentives	538,695	45,894	202,597	381,992	167,424
Landfill closure	195,870	-	14,000	181,870	14,000
Total other long-term liabilities	<u>9,759,716</u>	<u>3,054,230</u>	<u>1,334,719</u>	<u>11,479,227</u>	<u>1,977,445</u>
Governmental activity long-term liabilities	<u>\$ 56,255,225</u>	<u>\$ 12,507,264</u>	<u>\$ 5,395,861</u>	<u>\$ 63,366,628</u>	<u>\$ 5,724,066</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

General Obligation Bonds - Governmental Activities: As of June 30, 2014, 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, 2013	Additions	Deductions	Balance June 30, 2014
<u>General Purpose</u>								
CIP Var, Darrow, Roads	\$ 6,970,000	7/26/2012	7/25/1932	2.0 - 4.0%	\$ 6,970,000	\$ -	\$ -	\$ 6,970,000
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%	95,000	-	31,000	64,000
Land Acq, Road, Fire Pump	3,860,000	2/9/2011	2/9/2031	2.0 - 5.0%	3,860,000	-	175,000	3,685,000
Open Space	918,000	2/10/2010	7/15/2026	2.0 - 5.0%	861,000	-	74,000	787,000
Radio System Upgrade	1,105,000	7/16/2009	7/15/2030	3.5-5.0%	100,000	-	50,000	50,000
Total general purpose					<u>13,181,000</u>	<u>-</u>	<u>330,000</u>	<u>12,851,000</u>
<u>Schools</u>								
CIP Culinary, Music Wall, Var	750,000	7/26/2012	7/15/2032	.65% - 3.1%	750,000	-	-	750,000
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%	5,916,000	-	749,000	5,167,000
ELMS, HS Roof & Ren Ref	7,785,000	2/10/2010	7/15/2024	2.0 - 5.0%	7,321,000	-	777,000	6,544,000
ELHS & Pool Refunding	3,969,000	7/16/2009	7/15/2019	3.0-4.0%	2,702,000	-	422,000	2,280,000
Total schools					<u>18,382,000</u>	<u>-</u>	<u>1,948,000</u>	<u>16,434,000</u>
<u>Sewer</u>								
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%	3,930,000	-	760,000	3,170,000
Pine Grove Sewer Refund	2,182,000	2/10/2010	7/15/2026	2.0 - 5.0%	2,063,000	-	174,000	1,889,000
Sewer Const (Colton Rd)-Ref	531,000	7/16/2009	7/15/2019	3.00%	361,000	-	56,000	305,000
Clean Water Phase III	8,588,195	12/30/1994	12/21/2014	2.00%	225,457	-	225,017	440
Clean Water Phase IV	598,686	3/31/1995	3/31/2014	2.00%	22,451	-	22,451	-
Total sewers					<u>7,181,908</u>	<u>-</u>	<u>1,237,468</u>	<u>5,944,440</u>
<u>Water Bonds</u>								
DWSRF 2012-7010	360,516	6/30/2013	12/31/2032	2.00%	360,516	-	25,473	335,043
Various Water Projects	1,000,000	7/26/2012	7/15/2032	2.0% - 4.0%	1,000,000	-	-	1,000,000
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%	364,808	-	18,293	346,515
Water Bonds - ref 98	239,000	4/18/2011	7/15/2016	2.0 - 5.0%	169,000	-	55,000	114,000
Various Water Projects	4,180,000	7/16/2009	7/15/2030	3.5-5.0%	400,000	-	200,000	200,000
Water Ref 03 Bonds	200,000	7/16/2009	7/15/2019	3.0-4.0%	137,000	-	22,000	115,000
Drinking Water Notes	5,323,084	6/25/2013	6/28/1933	2.00%	-	5,323,034	-	5,323,034
Total water					<u>6,193,324</u>	<u>5,323,034</u>	<u>320,766</u>	<u>11,195,592</u>
Total bonds/notes - governmental activities					<u>\$ 44,938,231</u>	<u>\$ 5,323,034</u>	<u>\$ 3,836,234</u>	<u>\$ 46,425,031</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

General Obligation Bonds - Governmental Activities (Continued): The following is a summary as of June 30, 2014, of the future principal and interest requirements for the Town's bond indebtedness - governmental activities excluding the bond anticipation notes and drinking water notes:

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 3,637,829	\$ 1,277,378	\$ 4,915,207
2016	4,033,053	1,144,039	5,177,092
2017	4,048,731	1,000,286	5,049,017
2018	4,034,423	861,082	4,895,505
2019	3,290,129	743,626	4,033,755
2020-2024	11,761,751	2,496,278	14,258,029
2025-2029	7,411,705	1,012,540	8,424,245
2030-2034	2,884,376	155,418	3,039,794
<b>Total</b>	<b>\$ 41,101,997</b>	<b>\$ 8,690,647</b>	<b>\$ 49,792,644</b>

Bond Anticipation Notes and Subsequent Event: The Town has \$5,120,000 of tax-exempt general obligation bond anticipation notes (BANS) outstanding as of June 30, 2014. The notes bear interest at 1.0%. The Notes matured on July 23, 2014.

Bond anticipation note transactions for the year ended June 30, 2014 were as follows:

Outstanding, July 1, 2013	\$ 4,130,000
New borrowings	5,120,000
Repayments	(4,130,000)
Outstanding, June 30, 2014	<u>\$ 5,120,000</u>
Reported as:	
Long-term debt	<u>\$ 4,130,000</u>
Short-term debt	<u>\$ 990,000</u>

On July 16, 2014, the Town issued \$9,710,000 of general obligation bonds. Bond anticipation notes of \$4,130,000 at June 30, 2014, with an original maturity of July 23, 2014, were paid off and permanently financed with this issue. The bonds have principal and interest payments ranging from \$420,000 to \$930,000, with interest ranging from 2.0%-4.0% and mature on July 15, 2030. In addition, the Town issued \$3,695,000 of General Obligation Bond Anticipation Notes with an interest rate of 1.00% and due to mature on July 23, 2015.

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 7. Long-Term Liabilities (Continued)**

Drinking Water Fund Notes: The Town issued interim financing drinking water notes in the amount of \$5,323,034. In December of 2014, these notes were permanently financed. The notes bear interest at 2.0%, are payable in equal monthly installments and mature on December 31, 2034. The following is a summary as of June 30, 2014, of the future principal and interest requirements for the Town's drinking water notes - governmental activities:

Fiscal Year Ending	Principal	Interest	Total
2015	\$ 108,792	\$ 52,778	\$ 161,570
2016	220,873	102,267	323,140
2017	225,331	97,809	323,140
2018	229,879	93,261	323,140
2019	234,519	88,621	323,140
2020-2024	1,245,539	370,162	1,615,701
2025-2029	1,376,419	239,282	1,615,701
2030-2034	1,521,051	94,649	1,615,700
2035-2039	160,631	938	161,569
<b>Total</b>	<b>\$ 5,323,034</b>	<b>\$ 1,139,767</b>	<b>\$ 6,462,801</b>

Bonds Authorized But Unissued: Total authorized but unissued debt at June 30, 2014 consists of the following:

General purpose	\$ 7,285,000
Schools	1,226,066
Sewer	4,366,046
	<u>\$ 12,877,112</u>

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	\$ 107,766,146	\$ 25,256,000	\$ 82,510,146
Schools	215,532,293	17,660,066	197,872,227
Sewers	179,610,244	23,558,898	156,051,346
Urban renewal	155,662,211	-	155,662,211
Pension deficit	143,688,195	-	143,688,195

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$335,272,455.

Capital Lease: At June 30, 2014, the Town and the Board of Education are 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 \$4,100,000, with approximately \$2,000,000, in accumulated depreciation.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 7. Long-Term Liabilities (Continued)

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

2015	\$	855,630
2016		624,479
2017		463,719
2018		301,645
2019		17,038
Total		<u>2,262,511</u>
Less amount representing interest		<u>(55,930)</u>
	\$	<u><u>2,206,581</u></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 either 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, 2014, \$202,597 was paid for these benefits. At June 30, 2014, approximately \$381,992. 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 \$181,870 as of June 30, 2014. 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.

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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**Note 9. Risk Management (Continued)**

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 and aggregate 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.

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,
2012-2013	\$ 339,592	\$ 6,678,405	\$ 6,625,286	\$ 452,711
2013-2014	452,711	6,659,442	6,639,865	472,288

**Note 10. Contingent Liabilities**

The Town has been named as defendant in several claims and legal actions. The Town's management, based upon consultation with legal counsel, estimates that the potential claims against the Town are approximately \$650,000.

**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.

Town of East Lyme, Connecticut

Notes to Financial Statements

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**Note 11. Retirement Plans (Continued)**

**Classes of Employees Covered**

At January 1, 2014, the date of the last actuarial valuation, membership in the plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		27	
Terminated employees entitled to benefits but not yet receiving them		22	
Inactive participants		-	
Current employees			
Vested		118	
Nonvested		68	186
			<u>235</u>

**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 (GASB 27)**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2012	\$ 837,280	99.84%	\$ (35,040)
6/30/2013	953,904	99.91%	(34,185)
6/30/2014	1,051,739	99.91%	(33,270)

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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**Note 11. Retirement Plans (Continued)**

**Actuarial Assumptions (GASB 27)**

The annual required contribution for the current year was determined as part of the January 1, 2014 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

**Annual Pension Cost and Net Pension Asset (NPA) (GASB 27)**

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

Annual required contribution	\$ 1,050,824
Interest on net pension obligation	(2,393)
Adjustment to annual required contribution	3,308
Annual pension cost	<u>1,051,739</u>
Contributions made	<u>1,050,824</u>
Decrease in net pension asset	915
Net pension asset July 1, 2013	<u>(34,185)</u>
Net pension asset June 30, 2014	<u><u>\$ (33,270)</u></u>

**Schedule of Funding Progress (GASB 27)**

	(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, 2014	\$ 16,565,224	\$ 21,556,645	\$ 4,991,421	76.8%	\$ 8,559,474	(58.3) %

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.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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, 2014, there were 15 plan members. The Town contributed \$73,462.

**Statement of Plan Net Position  
June 30, 2014**

	Pension Trust funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
<b>Assets</b>			
Investments			
Mutual funds	\$ 10,674,008	\$ 1,048,886	\$ 11,722,894
Fixed income funds	5,891,216	-	5,891,216
Accounts receivable	56,961	-	56,961
<b>Total investments</b>	<b>16,622,185</b>	<b>1,048,886</b>	<b>17,671,071</b>
<b>Total net position</b>	<b>16,622,185</b>	<b>1,048,886</b>	<b>17,671,071</b>
<b>Net Position - Restricted for Pension Benefits</b>	<b>\$ 16,622,185</b>	<b>\$ 1,048,886</b>	<b>\$ 17,671,071</b>

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Statement of Changes in Plan Net Position  
For the Year Ended June 30, 2014

	Pension Trust funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 1,050,824	\$ 73,462	\$ 1,124,286
Plan members	140,909	43,349	184,258
<b>Total contributions</b>	<b>1,191,733</b>	<b>116,811</b>	<b>1,308,544</b>
Investments:			
Net appreciation in fair value of investments	2,093,438	167,369	2,260,807
Total investment income	2,093,438	167,369	2,260,807
<b>Total additions</b>	<b>3,285,171</b>	<b>284,180</b>	<b>3,569,351</b>
Deductions			
Benefits	252,140	26,578	278,718
Administration	68,436	465	68,901
<b>Total deductions</b>	<b>320,576</b>	<b>27,043</b>	<b>347,619</b>
<b>Changes in net position</b>	<b>2,964,595</b>	<b>257,137</b>	<b>3,221,732</b>
Restricted Net Position, beginning	13,657,590	791,749	14,449,339
Restricted Net Position, ending	<b>\$ 16,622,185</b>	<b>\$ 1,048,886</b>	<b>\$ 17,671,071</b>

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

##### Retirement Pension Trust (GASB 67)

Investments: The Retirement Pension Trust's policy in regard to the allocation of invested assets is established and may be amended by the Town of East Lyme. It is the policy of the Town to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.00%	8.00%
International equity	20.00%	8.00%
Fixed income	35.00%	4.00%
Cash	5.00%	0.50%
	<u>100.00%</u>	

Plan Administration: The Retirement Pension Trust is separately administered by its own respective pension board. The First Selectman serves as permanent members on the pension board. The non-permanent Pension Board members are appointed by the First Selectman and must be an active employee of their respective pension plan. The pension boards typical meet monthly or as needed to review retirement/disability requests and/or investment recommendations. The pension board meets at least quarterly with the Town's Investment Advisor to review and modify investments accordingly. Changes in investments are not effective until voted favorably by each of the pension boards.

Concentrations: The Town does have a formal policy; 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.

The following represents the investments of the pension plans that represent more than 5% of the plan's net position as of June 30, 2014:

Eaton Vance Atlanta Cap SMID-CAP A	\$1,294,603
Loomis Sayles Bond Inv. Opt.	1,131,414
Blackrock Equity Dividend INV A	1,602,878
Franklin Temp Conservative Alloc A	1,471,782
Putnam High Yield Advantage A	1,348,535
Templeton Global Bond A	1,220,879
Oppenheimer International Growth INV OPT	1,028,917
T. Rowe Price Equity Income	1,267,732

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

Net Pension Liability of the Town: The components of the net pension liability (GASB 67) of the Town at June 30, 2014 were as follows:

<b>Net Pension Liability (GASB 67) As of June 30, 2014</b>	<b>Retirement Pension Trust</b>
Total Pension Liability	\$ 21,537,336
Plan Fiduciary Net Position	16,565,224
Net Pension Liability	<u>\$ 4,972,112</u>
Plan Fiduciary Net Position as a percentage of total pension liability	76.91%

Money-Weighted Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 14.90%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, the was projected forward to the measurement date of June 30, 2014:

Actuarial Method Used:	Entry Age Normal Cost Method (GASB 67)
Amortization Method:	Level Amortization, Closed
Inflation:	N/A
Mortality Basis:	RP2000 Generational Mortality Table using Scale AA.
Investment Return:	7.00% per year
Salary Scale:	4.50% per annum

The Town's funding policy is to contribute the actuary's recommended contribution each year. The contribution is calculated as the normal cost under the projected unit credit funding method, plus an amortization of the plan's unfunded liability over 20 years from January 1, 2014, as a level percentage of pay.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

#### Note 11. Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.00%	8.00%
International equity	20.00%	8.00%
Fixed income	35.00%	4.00%
Cash	5.00%	0.50%
	100.00%	

The assumed inflation rate is 2.40% per annum.

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

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Town's Retirement Pension Trust, calculated using the discount rate of 7.00% as well as what the Town's Retirement Pension Trust net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Retirement Pension Trust	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 7,733,162	\$ 4,972,112	\$ 2,652,672

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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 11. Retirement Plans (Continued)

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 \$4,973,000 for the year ended June 30, 2014.

#### 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, 2012. 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.

Membership in the plan consisted of the following at July 1, 2012, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	41
Active plan members	462
	<hr/>
Total	503
	<hr/> <hr/>

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.

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 12. Other Post-Employment Benefits (Continued)**

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 Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	\$ 1,015,200	\$ 196,700	19.38%	\$ 6,118,700
6/30/13	1,226,300	21,800	1.78%	5,300,200
6/30/12	1,226,400	(5,900)	-0.48%	4,095,700

**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
7/1/2012	\$ -	\$ 11,457,200	\$ 11,457,200	0.0%	\$ 24,107,000	47.5%

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.

OPEB Obligation:

Annual required contribution	\$ 1,098,000
Interest on net pension obligation	212,000
Adjustment to ARC	(294,800)
Annual OPEB cost	1,015,200
Contributions made	196,700
Increase in net OPEB liability	818,500
Net OPEB obligation, beginning of year	5,300,200
Net OPEB obligation, end of year	<u>\$ 6,118,700</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.

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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**Note 12. Other Post-Employment Benefits (Continued)**

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

Valuation Date:	July 1, 2012
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
2013	7%
2014	6%
2015 and later	5%

**Note 13. Fund Deficits**

The following fund had a fund deficit as of June 30, 2014:

School Lunch Fund	<u>\$ (126,350)</u>
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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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

#### Note 14. Fund Balance (Deficits)

Below is a table of fund balance categories and classifications at June 30, 2014 for the Town governmental funds:

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Nonmajor Governmental Funds
Fund balances					
Non-spendable:					
Permanent	\$ -	\$ -	\$ -	\$ -	\$ -
Advance	-	616,294	-	-	-
Inventory	-	-	-	-	31,400
	-	616,294	-	-	31,400
Restricted:					
Capital projects	-	-	-	-	-
Recreation	-	-	-	-	7,040
	-	-	-	-	7,040
Committed:					
Public works	-	1,478,352	-	-	531,762
Capital projects	-	-	5,564,410	689,691	-
	-	1,478,352	5,564,410	689,691	531,762
Assigned:					
Public works	304,909	-	-	-	-
Public safety	2,890	-	-	-	-
Recreation	140,320	-	-	-	-
General government	31,493	-	-	-	-
Education	1,103,296	-	-	-	-
	1,582,908	-	-	-	-
Unassigned (deficits):	4,827,865	-	-	-	(126,350)
<b>Total fund balances</b>	<b>\$ 6,410,773</b>	<b>\$ 2,094,646</b>	<b>\$ 5,564,410</b>	<b>\$ 689,691</b>	<b>\$ 443,852</b>

#### 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, except for GASB 68, for which there will be an effect due to the recording of the net pension liability:

- 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. This Statement is effective for fiscal years beginning after June 15, 2014.

Town of East Lyme, Connecticut

Notes to Financial Statements

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**Note 15. Governmental Accounting Standards Board (GASB) Statements (Continued)**

- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, was issued in January 2013. This Statement 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.

- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68***. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2014.

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**Required Supplementary  
Information - Unaudited**



Town of East Lyme, Connecticut

Required Supplementary Information - Unaudited  
 Schedule of Funding Progress and Employer Contributions - Pension and OPEB  
 Last Fiscal Year  
 June 30, 2014

**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)
06/30/2009	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)%
06/30/2013	13,651,442	19,357,449	5,706,007	70.5%	8,484,665	(67.3)%
06/30/2014	16,565,224	21,556,645	4,991,421	76.8%	8,559,474	(58.3)%

**Schedule of Employer Contributions - Pension**

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relations to the Actuarially Determined Contribution	(Excess) Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2005	\$ 387,178	\$ 387,178	\$ -	\$ 5,811,981	6.7%
2006	469,903	469,903	-	6,132,890	7.7%
2007	531,455	531,455	-	6,635,165	8.0%
2008	605,163	605,163	-	6,714,774	9.0%
2009	675,251	675,251	-	7,219,904	9.4%
2010	750,941	750,941	-	7,641,981	9.8%
2011	850,037	850,037	-	7,318,648	11.6%
2012	835,942	835,942	-	7,920,142	10.6%
2013	953,049	953,049	-	8,484,665	11.2%
2014	1,050,824	1,031,092	(19,732)	8,559,474	12.0%

**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%	24,572,000	57.0%
7/1/2012	-	11,457,200	11,457,200	0.0%	24,107,000	47.5%

**Schedule of Employer Contributions - OPEB**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
06/30/10	\$ 1,146,300	19.90%
06/30/11	1,163,800	21.20%
06/30/12	1,271,200	(0.48)%
06/30/13	1,290,300	1.78%
06/30/14	1,098,000	17.91%

Town of East Lyme, Connecticut

Required Supplementary Information - Unaudited  
 Schedule of Changes in the Town's Net Pension Liability and Related Ratios  
 Last Fiscal Year  
 June 30, 2014

	Retirement Pension Trust
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<b>Changes in Net Pension Liability</b>	
<b>Total Pension Liability</b>	
Service cost	\$ 649,599
Interest on total pension liability	1,474,368
Benefit payments	(254,567)
<b>Net change in total pension liability</b>	<u>1,869,400</u>
Total Pension Liability, beginning	<u>19,667,936</u>
<b>Total pension liability, ending (a)</b>	<u>21,537,336</u>
<b>Fiduciary Net Position</b>	
Employer contributions	1,031,092
Member contributions	133,430
Investment income net of investment expenses	2,037,638
Benefit payments	(254,567)
Administrative expenses	(2,900)
<b>Net change in plan fiduciary net position</b>	<u>2,944,693</u>
Fiduciary Net Position, beginning	<u>13,620,531</u>
<b>Fiduciary net position, ending (b)</b>	<u>16,565,224</u>
<b>Net pension liability, ending = (a) - (b)</b>	<u><u>\$ 4,972,112</u></u>
Fiduciary net position as a % of total pension liability	76.91%
Covered payroll	\$ 8,559,474
Net pension liability as a % of covered payroll	58.09%

**NOTE: As 2014 is the implementation year, only 2014 information is available.**

Town of East Lyme, Connecticut

Required Supplementary Information - Unaudited  
 Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual -  
 General Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes, interest and lien fees	\$ 47,858,751	\$ 47,858,751	\$ 47,820,460	\$ (38,291)
Intergovernmental	8,632,438	8,978,983	9,356,374	377,391
Charges for services	4,590,842	4,603,362	4,697,370	94,008
Income from investments	48,000	48,000	31,877	(16,123)
<b>Total revenues</b>	<b>61,130,031</b>	<b>61,489,096</b>	<b>61,906,081</b>	<b>416,985</b>
<b>Expenditures</b>				
Current:				
General government	6,110,808	6,082,194	5,899,084	183,110
Public safety	3,588,342	3,694,798	3,563,027	131,771
Public works	3,596,023	3,992,395	3,685,637	306,758
Health and welfare	259,708	261,267	253,134	8,133
Culture and recreation	1,906,572	1,908,161	1,867,979	40,182
Education	41,941,731	41,941,731	41,913,989	27,742
Capital outlay	988,015	1,171,183	1,105,829	65,354
Debt service	4,781,959	4,814,432	4,814,388	44
<b>Total expenditures</b>	<b>63,173,158</b>	<b>63,866,160</b>	<b>63,103,067</b>	<b>763,093</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,043,127)</b>	<b>(2,377,064)</b>	<b>(1,196,986)</b>	<b>1,180,078</b>
<b>Other Financing Sources</b>				
Transfers in	1,293,127	1,363,127	1,048,729	(314,398)
Use of Fund Balance	750,000	765,000	-	(765,000)
<b>Total other financing sources</b>	<b>2,043,127</b>	<b>2,128,127</b>	<b>1,048,729</b>	<b>(1,079,398)</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ (248,937)</b>	<b>\$ (148,257)</b>	<b>\$ 100,680</b>

See Notes to Required Supplementary Information - Unaudited.

## Town of East Lyme, Connecticut

### Note to Required Supplementary Information – Unaudited

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#### Note 1. Budgets and Budgetary Accounting

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, 2014 aggregated approximately \$693,000 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 – Unaudited (Continued)**

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**Note 1. Budgets and Budgetary Accounting (Continued)**

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	\$ 62,954,810	\$ 63,103,067
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	4,973,000	4,973,000
Cancellation of prior year encumbrances	49,694	-
GASB 54 effect	1,761,788	1,679,655
Encumbrances:		
June 30, 2013	-	645,802
June 30, 2014	-	(822,607)
Balance, GAAP basis	<u>\$ 69,739,292</u>	<u>\$ 69,578,917</u>

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**Combining and Individual  
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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Taxes, Interest and Lien Fees</b>				
Current taxes	\$ 47,217,751	\$ 47,217,751	\$ 47,144,520	\$ (73,231)
Prior taxes	400,000	400,000	371,114	(28,886)
Interest and lien fees	241,000	241,000	304,826	63,826
Total taxes, interest and lien fees	47,858,751	47,858,751	47,820,460	(38,291)
<b>Intergovernmental</b>				
Education cost sharing	7,132,867	7,132,867	7,128,356	(4,511)
Transportation	-	-	52,267	52,267
Town aid roads	162,169	341,879	341,879	-
Local capital Improvement	123,543	203,111	-	(203,111)
Youth service bureau	27,215	27,215	30,566	3,351
Tax relief-telephone taxes	60,000	60,000	52,190	(7,810)
PILOT - State owned property	642,271	642,271	933,077	290,806
Pequot fund	271,103	271,103	329,119	58,016
PILOT - Hospital and Colleges	36,733	36,733	40,548	3,815
Tax relief for elderly	113,591	113,591	102,889	(10,702)
Tax relief for disabled	1,051	1,051	1,276	225
Civil Preparedness	40,000	40,000	63,250	23,250
Tax relief for veterans	21,895	21,895	24,020	2,125
State grant - DUI	-	76,797	11,894	(64,903)
Other grants	-	10,470	245,043	234,573
Total intergovernmental	8,632,438	8,978,983	9,356,374	377,391
<b>Charges for Services</b>				
<b>Licenses and Permits</b>				
Building permits	200,000	207,500	476,121	268,621
Beach and recreation town funds	103,855	103,855	135,606	31,751
ZBA and planning commission	10,000	10,000	8,116	(1,884)
Conveyance tax	205,000	205,000	245,156	40,156
Dog licenses	13,500	13,500	13,672	172
Town Clerk fees	150,000	150,000	140,667	(9,333)
Zoning commission - Maps and permits	25,000	25,000	58,170	33,170
Solid waste removal license	375	375	525	150
Shellfish permits	2,150	2,150	205	(1,945)
Wetland Fees	2,000	2,000	2,840	840

(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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Charges for Services (Continued)				
Licenses and Permits (Continued)				
Conservation permits	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Mooring permits	4,765	4,765	7,575	2,810
Total licenses and permits	724,645	732,145	1,088,653	356,508
Fines and Forfeits				
Parking fees	10,000	10,000	12,927	2,927
Extra duty - police and fire	40,000	40,000	23,915	(16,085)
TC office fees	4,500	4,500	10,775	6,275
TC fish and game fees	500	500	341	(159)
Total fines and forfeits	55,000	55,000	47,958	(7,042)
Charges for Services				
Tuition - other districts	3,092,747	3,092,747	2,876,657	(216,090)
Rent - cini park	12,260	12,260	15,729	3,469
Debt payment - Salem	86,705	86,705	86,705	-
Tipping fees commercial	276,000	276,000	262,042	(13,958)
Transportation subsidy	43,000	43,000	45,941	2,941
Recycling - other	20,000	20,000	25,459	5,459
Recycling - newspaper/cardboard	20,000	20,000	4,627	(15,373)
MSW containers	2,500	2,500	4,965	2,465
Kiducation	200	200	-	(200)
Pistol, Fire, & Loading	5,710	5,710	10,170	4,460
Assessor	3,500	3,500	3,014	(486)
Aging	24,000	24,000	29,933	5,933
Landfill deposits	140,000	140,000	130,221	(9,779)
Financial department	71,400	71,400	44,438	(26,962)
Tax collector	700	700	636	(64)
Selectman's office	200	200	60	(140)
Smith-Harris commission	500	5,520	5,837	317
Town miscellaneous	5,000	5,000	14,325	9,325
Water and sewer services	6,775	6,775	-	(6,775)
Total charges for services	3,811,197	3,816,217	3,560,759	(255,458)
Total charges for services	4,590,842	4,603,362	4,697,370	94,008
Income from Investments				
Interest income	48,000	48,000	31,877	(16,123)
Total revenues	61,130,031	61,489,096	61,906,081	416,985

(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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources				
Use of fund balance	\$ 750,000	\$ 765,000	\$ -	\$ (765,000)
Transfers in	1,293,127	1,363,127	1,048,729	(314,398)
	<u>2,043,127</u>	<u>2,128,127</u>	<u>1,048,729</u>	<u>(1,079,398)</u>
Total revenues and other financing sources	<u>\$ 63,173,158</u>	<u>\$ 63,617,223</u>	<u>\$ 62,954,810</u>	<u>\$ (662,413)</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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>General Government</b>				
First Selectman	\$ 226,978	\$ 231,795	\$ 224,833	\$ 6,962
Assessor's office	198,108	200,059	196,613	3,446
Tax collector	167,462	169,192	167,924	1,268
Building official	170,711	180,237	171,134	9,103
Town engineer	247,917	251,868	245,572	6,296
Town clerk	174,235	175,879	165,598	10,281
Health department	131,654	131,654	131,573	81
Information Technology	100,204	102,964	94,279	8,685
Registrars	96,922	98,080	74,359	23,721
Judge of Probate	13,059	13,059	13,059	-
Maintenance of town buildings	674,773	736,802	722,647	14,155
General government and benefits	3,187,775	3,194,693	3,162,073	32,620
Community services	25,451	25,451	24,451	1,000
Zoning commission	84,568	86,559	85,334	1,225
Planning department	71,847	73,282	70,193	3,089
Finance department	260,750	263,630	258,900	4,730
Contingency funds	187,500	50,327	12,163	38,164
Board of finance	37,100	37,100	37,020	80
Board of assessment appeals	2,895	2,895	611	2,284
Zoning board of appeals	980	980	667	313
Inlands Wetlands Agency	20,394	20,753	17,781	2,972
Conservation commission	1,800	1,800	957	843
Waterford/ East Lyme shellfish commission	500	500	500	-
Smith-Harris Commission	11,700	17,110	13,075	4,035
Town building committee	875	875	28	847
Harbor management commission	14,650	14,650	7,740	6,910
Total general government	6,110,808	6,082,194	5,899,084	183,110
<b>Public Safety</b>				
Police department	2,063,716	2,156,503	2,053,480	103,023
Niantic fire department	481,869	489,786	484,759	5,027
Flanders fire department	353,222	362,037	356,056	5,981
Emergency management	632,151	628,595	610,992	17,603
Animal Control	57,384	57,877	57,740	137
Total public safety	3,588,342	3,694,798	3,563,027	131,771
<b>Public Works</b>				
Highways and sanitation	3,596,023	3,992,395	3,685,637	306,758
Total public works	3,596,023	3,992,395	3,685,637	306,758

(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, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Health and Welfare				
Commission on aging	\$ 247,800	\$ 249,359	\$ 244,751	\$ 4,608
Visiting nurses association	11,908	11,908	8,383	3,525
Total health and welfare	<u>259,708</u>	<u>261,267</u>	<u>253,134</u>	<u>8,133</u>
Board of Education	<u>41,941,731</u>	<u>41,941,731</u>	<u>41,913,989</u>	<u>27,742</u>
Culture and Recreation				
East Lyme public library	1,003,298	1,003,298	1,003,298	-
Parks and recreation	903,274	904,863	864,681	40,182
Total culture and recreation	<u>1,906,572</u>	<u>1,908,161</u>	<u>1,867,979</u>	<u>40,182</u>
Capital Outlay				
Town - Capital improvement program	988,015	1,144,207	1,095,360	48,847
Town - Special Appropriations	-	26,976	10,469	16,507
Total capital outlay	<u>988,015</u>	<u>1,171,183</u>	<u>1,105,829</u>	<u>65,354</u>
Debt Service				
Redemption of debt - principal	1,266,490	1,273,490	1,273,447	43
Interest payments	3,515,469	3,540,942	3,540,941	1
Total debt service	<u>4,781,959</u>	<u>4,814,432</u>	<u>4,814,388</u>	<u>44</u>
Total expenditures and encumbrances	<u>\$ 63,173,158</u>	<u>\$ 63,866,160</u>	<u>\$ 63,103,067</u>	<u>\$ 763,093</u>

(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, 2014

	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	\$ 930,510	\$ 7,775	\$ 7,698	\$ -	\$ 911	\$ 946,894
Intergovernmental Receivables	2,123	50,414	71,710	-	-	124,247
Assessments/user Charges	648,047	-	-	-	-	648,047
Inventory	31,400	-	-	-	-	31,400
Due from Other Funds	24,518	-	-	7,040	-	31,558
<b>Total assets</b>	<b>\$ 1,636,598</b>	<b>\$ 58,189</b>	<b>\$ 79,408</b>	<b>\$ 7,040</b>	<b>\$ 911</b>	<b>\$ 1,782,146</b>
<b>Liabilities</b>						
Accounts payable	\$ 436,633	\$ 184,539	\$ 27,337	\$ -	\$ -	\$ 648,509
Due to other funds	157,612	-	23,813	-	911	182,336
Unearned revenue	-	-	28,258	-	-	28,258
<b>Total liabilities</b>	<b>594,245</b>	<b>184,539</b>	<b>79,408</b>	<b>-</b>	<b>911</b>	<b>859,103</b>
<b>Deferred Inflow of Resources</b>						
Unavailable revenues	479,191	-	-	-	-	479,191
<b>Total deferred inflows of resources</b>	<b>479,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>479,191</b>
<b>Fund Balances (Deficits)</b>						
Nonspendable	31,400	-	-	-	-	31,400
Restricted	-	-	-	7,040	-	7,040
Committed	531,762	-	-	-	-	531,762
Unassigned	-	(126,350)	-	-	-	(126,350)
<b>Total fund balances (deficits)</b>	<b>563,162</b>	<b>(126,350)</b>	<b>-</b>	<b>7,040</b>	<b>-</b>	<b>443,852</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,636,598</b>	<b>\$ 58,189</b>	<b>\$ 79,408</b>	<b>\$ 7,040</b>	<b>\$ 911</b>	<b>\$ 1,782,146</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, 2014**

	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	\$ -	\$ 239,023	\$ 1,013,083	\$ 4,000	\$ -	\$ 1,256,106
Charges for services	2,406,331	619,984	-	2,861	-	3,029,176
Interest income	6	-	-	-	-	6
<b>Total revenues</b>	<b>2,406,337</b>	<b>859,007</b>	<b>1,013,083</b>	<b>6,861</b>	<b>-</b>	<b>4,285,288</b>
<b>Expenditures</b>						
Current:						
Culture and recreation	-	-	-	6,500	911	7,411
Public works	1,826,832	-	-	-	-	1,826,832
Education	-	843,480	1,013,083	-	-	1,856,563
Debt service	459,154	-	-	-	-	459,154
<b>Total expenditures</b>	<b>2,285,986</b>	<b>843,480</b>	<b>1,013,083</b>	<b>6,500</b>	<b>911</b>	<b>4,149,960</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>120,351</b>	<b>15,527</b>	<b>-</b>	<b>361</b>	<b>(911)</b>	<b>135,328</b>
<b>Other Financing Sources (Uses)</b>						
Transfers (out)	(44,299)	-	-	-	-	(44,299)
<b>Total other financing sources (uses)</b>	<b>(44,299)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,299)</b>
<b>Change in fund balances</b>	<b>76,052</b>	<b>15,527</b>	<b>-</b>	<b>361</b>	<b>(911)</b>	<b>91,029</b>
Fund Balances (Deficits) beginning	487,110	(141,877)	-	6,679	911	352,823
Fund Balances (Deficits) ending	<u>\$ 563,162</u>	<u>\$ (126,350)</u>	<u>\$ -</u>	<u>\$ 7,040</u>	<u>\$ -</u>	<u>\$ 443,852</u>

**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 Position - Fiduciary Funds  
June 30, 2014

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
<b>Assets</b>			
Cash	\$ 31,287	\$ 3,113	\$ 34,400
Due from other funds	200	-	200
<b>Total assets</b>	<b>31,487</b>	<b>3,113</b>	<b>34,600</b>
<b>Liabilities</b>			
Accounts payable	200	-	200
<b>Total liabilities</b>	<b>200</b>	<b>-</b>	<b>200</b>
<b>Net Position Held in Trust for Other Purposes</b>	<b>\$ 31,287</b>	<b>\$ 3,113</b>	<b>\$ 34,400</b>

Town of East Lyme, Connecticut

Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2014

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
Additions			
Contributions			
Private	\$ 1,149	\$ -	\$ 1,149
Total contributions	1,149	-	1,149
Investments			
Interest income	32	1	33
Total investment income	32	1	33
Deductions			
Expense	1,046	-	1,046
<b>Changes in net position</b>	135	1	136
Net Position, beginning	31,152	3,112	34,264
Net Position, ending	\$ 31,287	\$ 3,113	\$ 34,400

Town of East Lyme, Connecticut

Combining Statement of Changes in Assets and Liabilities -  
 Agency Funds  
 June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Assets</b>				
Cash and Cash Equivalents				
Student activity fund	\$ 639,099	\$ 978,505	\$ 996,932	\$ 620,672
Performance bonds	1,244,119	206,589	190,977	1,259,731
<b>Total assets</b>	<u>1,883,218</u>	<u>1,185,094</u>	<u>1,187,909</u>	<u>1,880,403</u>
<b>Liabilities</b>				
Student Activity Fund	\$ 639,099	\$ 978,505	\$ 996,932	\$ 620,672
Performance Bonds	1,244,119	206,589	190,977	1,259,731
<b>Total liabilities</b>	<u>\$ 1,883,218</u>	<u>\$ 1,185,094</u>	<u>\$ 1,187,909</u>	<u>\$ 1,880,403</u>

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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, 2014**

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Governmental Funds Capital Assets	
Land	\$ 13,308,047
Construction in progress	6,443,138
Buildings and improvements	124,038,939
Machinery and equipment	7,082,132
Vehicles	7,964,648
Infrastructure	20,576,168
Water distribution system	<u>27,112,388</u>
Total governmental funds capital assets	<u>\$ 206,525,460</u>

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**Other Schedules**



Town of East Lyme, Connecticut

Balance Sheet - By Account - General Fund  
June 30, 2014

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Receivables	Totals
<b>Assets</b>						
Cash	\$ 4,589,932	\$ 609,064	\$ -	\$ -	\$ -	\$ 5,198,996
Investments	3,214,878	-	-	-	-	3,214,878
Intergovernmental Receivables	238,912	-	-	-	-	238,912
Property Taxes	2,146,981	-	-	-	-	2,146,981
Assessments/user Charges	46,700	-	-	-	-	46,700
Other	83,465	-	-	-	-	83,465
Due from Other Funds	79,845	-	11,516	148,035	(159,551)	79,845
<b>Total assets</b>	<b>\$ 10,400,713</b>	<b>\$ 609,064</b>	<b>\$ 11,516</b>	<b>\$ 148,035</b>	<b>\$ (159,551)</b>	<b>\$ 11,009,777</b>
<b>Liabilities</b>						
Accounts payable	\$ 1,792,726	\$ -	\$ 599	\$ 7,715	\$ -	\$ 1,801,040
Due to other funds	240,695	-	-	-	(159,551)	81,144
<b>Total liabilities</b>	<b>2,033,421</b>	<b>-</b>	<b>599</b>	<b>7,715</b>	<b>(159,551)</b>	<b>1,882,184</b>
<b>Deferred Inflow of Resources</b>						
Unavailable revenues	2,716,820	-	-	-	-	2,716,820
<b>Total deferred inflows of resources</b>	<b>2,716,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,716,820</b>
<b>Fund Balances</b>						
Assigned	822,607	609,064	10,917	140,320	-	1,582,908
Unassigned	4,827,865	-	-	-	-	4,827,865
<b>Total fund balances</b>	<b>5,650,472</b>	<b>609,064</b>	<b>10,917</b>	<b>140,320</b>	<b>-</b>	<b>6,410,773</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,400,713</b>	<b>\$ 609,064</b>	<b>\$ 11,516</b>	<b>\$ 148,035</b>	<b>\$ (159,551)</b>	<b>\$ 11,009,777</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, 2014

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Transfers	Totals
<b>Revenues</b>						
Property taxes	\$ 47,820,460	\$ -	\$ -	\$ -	\$ -	\$ 47,820,460
Intergovernmental	14,329,374	-	-	-	-	14,329,374
Charges for services	4,747,064	1,319,350	35,195	414,633	-	6,516,242
Interest income	31,877	611	-	-	-	32,488
<b>Total revenues</b>	<b>66,928,775</b>	<b>1,319,961</b>	<b>35,195</b>	<b>414,633</b>	<b>-</b>	<b>68,698,564</b>
<b>Expenditures</b>						
<b>Current:</b>						
Culture and recreation	1,868,109	-	-	357,755	-	2,225,864
Public works	3,559,992	-	-	-	-	3,559,992
Education	46,820,457	1,306,310	-	-	-	48,126,767
General government	5,887,999	-	22,532	-	-	5,910,531
Public safety	3,561,268	-	1,059	-	-	3,562,327
Health and welfare	253,594	-	-	-	-	253,594
Capital outlay	849,452	-	-	-	-	849,452
<b>Debt service:</b>						
Principal	3,540,943	-	-	-	-	3,540,943
Interest	1,273,447	-	-	-	-	1,273,447
<b>Total expenditures</b>	<b>67,615,261</b>	<b>1,306,310</b>	<b>23,591</b>	<b>357,755</b>	<b>-</b>	<b>69,302,917</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(686,486)</b>	<b>13,651</b>	<b>11,604</b>	<b>56,878</b>		<b>(604,353)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,048,729	-	-	-	(8,001)	1,040,728
Transfers (out)	(276,000)	-	(8,001)	-	8,001	(276,000)
<b>Total other financing sources (uses)</b>	<b>772,729</b>	<b>-</b>	<b>(8,001)</b>	<b>-</b>	<b>-</b>	<b>764,728</b>
<b>Change in fund balances</b>	<b>86,243</b>	<b>13,651</b>	<b>3,603</b>	<b>56,878</b>	<b>-</b>	<b>160,375</b>
Fund Balances, beginning	5,564,229	595,413	7,314	83,442	-	6,250,398
Fund Balances, ending	\$ 5,650,472	\$ 609,064	\$ 10,917	\$ 140,320	\$ -	\$ 6,410,773



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