

Town of East Lyme, Connecticut

Financial Report
June 30, 2015

Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis – Unaudited	3-12
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of net position	13
Statement of activities	14
Fund Financial Statements:	
Balance sheet – governmental funds	15
Statement of revenues, expenditures and changes in fund balances (deficits) – governmental funds	16
Reconciliation of the statement of revenue, expenditures and changes in fund balances of governmental funds to the statement of activities	17
Statement of net position – proprietary funds	18
Statement of revenues, expenses and changes in fund net position – proprietary funds	19
Statement of cash flows – proprietary funds	20-21
Statement of fiduciary net position – fiduciary funds	22
Statement of changes in fiduciary net position – fiduciary funds	23
Notes to financial statements	24-63
Required Supplementary Information – Unaudited	
Schedules of employer contributions	65
Schedule of changes in the town's net pension liability and related ratios and schedule of investment returns	66
Schedule of the town's proportionate share of the net pension liability – teachers' retirement system	67
Schedule of funding progress and employer contributions - OPEB	68
Statement of revenues and expenditures – budgetary basis – budget and actual – general fund	69
Note to required supplementary information	70-71
Combining and Individual Fund Financial Statements and Other Schedules	
General Fund	
General fund revenues and other financing sources – budgetary basis – budget and actual	73-75
General fund expenditures and other financing uses – budgetary basis – budget and actual	76-77
Nonmajor Governmental Funds	
Combining balance sheet	79
Combining statement of revenues, expenditures and changes in fund balances (deficits)	80
Fiduciary Funds	
Combining statement of net position – fiduciary funds	81
Combining statement of changes in fiduciary net position – fiduciary funds	82
Combining statement of changes in assets and liabilities – agency funds	83

Contents

Capital Assets Used in the Operation of Governmental Funds

Schedule by category 85

Other Schedules

Balance sheet – by account – general fund 87

Schedule of revenues, expenditures and changes in fund balance – by account –
general fund 88

Schedule of property taxes levied, collected and outstanding 89



Independent Auditor's Report

RSM US LLP

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, 2015, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015, 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.

Emphasis of Matter—Adoption of Standards

As disclosed in the Summary of Significant Accounting Policies in the notes to the financial statements, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*, which resulted in the Town restating net position for recognition of the Town's pension related activity incurred prior to July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, the schedules of funding progress and employer contributions - OPEB, budgetary comparison information and the pension related schedules 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 May 6, 2016 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.

RSM US LLP

New Haven, Connecticut
May 6, 2016

Town of East Lyme, Connecticut
Management's Discussion and Analysis - unaudited
June 30, 2015

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, 2015.

Financial Highlights

As of July 1, 2014, the Town was required to implement GASB Statement Nos. 68 and 71 related to pensions. These Statements required that the unrestricted net position of the statement of net position as of July 1, 2014 be restated and decreased in the amount of \$5,005,382. The decrease did not result from a change in benefits offered to employees, only the recognition of the total liability on the statement of net position

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$112.2 million (*net position*).

The Town's total net position decreased by \$4.0 million.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11.6 million, a decrease of \$3.6 million in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.2 million or 8.0% of total general fund budgeted expenditures and transfers out of \$63.9 million.

The Town's total bond/note debt increased by \$290,000 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them 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 and welfare, culture and 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, capital nonrecurring 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 a pension trust fund, private purpose trust funds and 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$112.2 million at the close of the fiscal year.

By far the largest portion of the Town's net position (95.5%) 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, 2015 and 2014**

	June 30, 2015			June 30, 2014		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 24,007	\$ 135	\$ 24,142	\$ 30,315	\$ 38	\$ 30,353
Capital assets	115,176	46,753	161,929	111,175	47,569	158,744
Total Assets	139,183	46,888	186,071	141,490	47,607	189,097
Deferred outflows of resources	1,992	-	1,992	1,264	-	1,264
Total Deferred Outflows of Resources	1,992	-	1,992	1,264	-	1,264
Other liabilities	11,724	106	11,830	10,958	63	11,021
Long-term liabilities	63,776	-	63,776	57,643	-	57,643
Total Liabilities	75,500	106	75,606	68,601	63	68,664
Deferred pension amounts	221	-	221	438	-	438
Total Deferred Inflows of Resources	221	-	221	438	-	438
Net Position:						
Net investment in capital assets	60,368	46,753	107,121	58,344	47,569	105,913
Restricted	15	-	15	7	-	7
Unrestricted	5,071	29	5,100	15,365	(25)	15,340
Total Net Position	\$ 65,454	\$ 46,782	\$ 112,236	\$ 73,716	\$ 47,544	\$ 121,260

**TOWN OF EAST LYME, CONNECTICUT
SUMMARY STATEMENT OF ACTIVITIES
JUNE 30, 2015 and 2014**

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charge for services	\$ 10,591	\$ 1,910	\$ 12,501	\$ 9,598	\$ 1,774	\$ 11,372
Operating grants and contributions	13,660	-	13,660	13,710	-	13,710
Capital grants and contributions	799	-	799	1,598	-	1,598
General Revenues:						
Property Taxes	49,664	-	49,664	48,156	-	48,156
Grants, contributions not restricted to specific programs	1,572	-	1,572	1,494	-	1,494
Miscellaneous	248	-	248	1,152	-	1,152
Investment income	50	-	50	55	-	55
Total Revenues	\$ 76,584	\$ 1,910	\$ 78,494	\$ 75,763	\$ 1,774	\$ 77,537
Expenses:						
Program Activities						
Primary Government:						
General government	\$ 6,977	\$ -	\$ 6,977	\$ 7,478	\$ -	\$ 7,478
Public safety	4,315	-	4,315	3,872	-	3,872
Public works	8,918	-	8,918	8,405	-	8,405
Health and welfare	278	-	278	257	-	257
Culture and recreation	2,542	-	2,542	2,328	-	2,328
Education	56,366	-	56,366	52,682	-	52,682
Interest expense	400	-	400	1,025	-	1,025
Business-Type Activities:						
Sewer department	-	2,719	2,719	-	2,863	2,863
Total Expenses	79,796	2,719	82,515	76,047	2,863	78,910
Transfers in (out)	(47)	47	-	(43)	43	-
Change in net position	(3,259)	(762)	(4,021)	(327)	(1,046)	(1,373)
Net Position - beginning*	68,711	47,544	116,255	74,043	48,590	122,633
Net Position - ending	\$ 65,452	\$ 46,782	\$ 112,234	\$ 73,716	\$ 47,544	\$ 121,260

* as restated for GASB No. 68

Governmental Activities

For governmental activities, 64.8% of the revenues were derived from property taxes, followed by 18.8% from intergovernmental revenues and 13.8% for charges for services.

Major revenue factors included:

- Charges for services – permit fees was over budget by \$0.2 million due primarily to building and zoning permits increase related to Gateway Commons continuing to progress. In addition, there was an increase in conveyance fees for real estate transactions.
- Charges for services – local fees was over budget by \$0.2 million due primarily to tuition related to actual number of students from out of district was greater than originally anticipated.
- Special Appropriation of Undesignated Fund Balance due to settlement of a long standing law suit for \$146,000.
- Decrease of \$0.9 million due to prior year insurance reimbursement of \$1.1 million for the boardwalk.

For governmental activities, approximately 70.6% of the Town's expenses relate to education, 8.7% relate to general government, 11.2% relate to public works operations, 5.4% to public safety and the remaining 4.1% relate to interest expense, health and welfare, recreation and miscellaneous.

Major expense factors include:

- General Government expenses increased \$2.4 million.
- Debt Service expenses increased \$0.2 million
- Capital expenses decreased \$1.2 million
- Education expenses increase of \$1.6 million.

Business-Type Activities

Business-type activities (Sewer Department) decreased the Town's net position by \$763,000, or 1.6%. This decrease was due primarily due to depreciation expense.

Financial Analysis of the Fund Financial Statements

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, 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 \$5.2 million, while total fund balance reached \$6.0 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 8.0% of total general fund budgeted expenditures.

The fund balance for the Town's general fund decreased by approximately \$390,000 during the current fiscal year. A key factor in this is as follows:

- Education completing all of their expenditures within the 60 day period, thus having no end of year encumbrances.

The Sewer Assessments fund balance increased \$165,000 as a result of the transfer out to the general fund of \$150,000 less than prior year for the purpose of debt service.

The Bonded Project Fund decreased \$4.0 million due primarily to the construction of the interconnect.

The Capital Nonrecurring Fund increased \$536,000 due primarily to the completion of various capital projects and the issuance of BANS and drinking water notes.

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 \$46.8 million, a decrease of \$763,000 over the prior year. Unrestricted net position for the Sewer Department reflected \$29,000 of total Net Position.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget for expenditures was \$326,000

During the year, actual revenues, including transfers in, were \$65.1 million, which was less than budgetary estimates by \$326,000. Major contributors were:

- \$0.8 million less due to unused fund balance.
- \$0.1 million greater due to better than expected aggregate tax collections
- \$0.2 million more combined net effect for various local fee estimates, mainly building permits.
- \$0.2 million less due to various intergovernmental grants.
- \$0.2 million greater combined net effect for various charges for services, primarily out of district tuition

General Fund Budgetary Highlights

Expenditures

Special appropriations during the year totaled \$326,000 as follows:

- \$4 thousand for NFWF – Stormwater Classroom Grant
- \$71 thousand for LoCIP Grant
- \$146 thousand for settlement of ongoing Lawsuit
- \$2 thousand for DEEP NPS 319 – Stormwater Classroom
- \$15 thousand additional Assistant Building Official wages, increase permit volume
- \$1 thousand Monitors LED TV Emergency Management
- \$1 thousand donation Police Sergeant Office
- \$4 thousand EOC Security Camera
- \$84 thousand various budget carry-overs

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, 2015, amounted to \$162.0 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 \$3.2 million, an increase of 2.0%.

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

- Road reconstruction and improvement projects.
- The sixth year implementation of a vehicle acquisition program in accordance with a fleet plan including dump truck, pick-up truck with plow, Police cruiser and truck and utility vehicle with top dresser.
- New roof at Town Hall and old Highway Garage buildings.
- Restrooms at Vets Memorial Park.
- Various Board of Education improvements including; improved security at various school locations, district-wide network upgrade, ELHS Tennis Courts, new pickup truck and annual technology upgrades as part of the acquisition program.
- Capitalization of the additions to the water and sewer distribution systems.

**CAPITAL ASSETS, NET OF DEPRECIATION
JUNE 30, 2015 AND 2014**

	June 30, 2015			June 30, 2014		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 13,588	\$ 608	\$ 14,196	\$ 13,308	\$ 608	\$ 13,916
Construction in progress	8,653	15	8,668	6,443	15	6,458
Water and Sewer distribution systems	16,878	42,857	59,735	15,168	43,617	58,785
Building and improvements	64,574	3,165	67,739	65,421	3,257	68,678
Vehicles	2,945	-	2,945	2,684	-	2,684
Machinery and equipment	4,108	107	4,215	4,171	72	4,243
Infrastructure	4,429	-	4,429	3,980	-	3,980
Total	\$ 115,175	\$ 46,752	\$ 161,927	\$ 111,175	\$ 47,569	\$ 158,744

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 \$50.9 million, all of which is backed by the full faith and credit of the Town government.

**CHANGES IN TOWN DEBT
JUNE 30, 2015 AND 2014**

	June 30, 2015			June 30, 2014		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 50,845	\$ -	\$ 50,845	\$ 50,555	\$ -	\$ 50,555

The Town's total bonded debt decreased by \$290,000 during the 2015 fiscal year due to the net impact of scheduled pay down of debt during the fiscal year and permanently bonding the Athletic Complex and Logger Hill projects. 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 2016 budget tax rates, the primary factor being the economy. Unemployment in the Town was 6.1% and 7% for 2015 and 2015, respectively. This compares with the State's average unemployment rate of 6.7% and 7.9% and is .8% lower than the New London County average rate of 6.9%.

Revenues

The Town did not anticipate increases in State funding due to the economic state of the budget, it was necessary to hold the line with expenditure reductions with an overall increase in taxes of \$1.9 million. There was a modest increase in the grand list of 10/1/2014 of \$24 million or .01%. Significant revenue issues were as follows:

- Out of district tuition fees increased by \$226,000 due to enrollment estimates
- Payment in lieu of taxes state grant increased by \$48,000 due to improvements to Camp Niantic National Guard Facility.
- The market for recycled cardboard and paper has decreased, therefore reduced revenue by \$10,500.
- The Town maintained various local fees collected based upon trend analysis.
- A decrease in use of fund balance by \$100,000 to work towards increasing balance.

Expenditures

The average wage increases for town employees was 2.9%. Two bargaining groups took implemented increases to beginning and mid-year year as a budget savings measure. The Board of Education union groups received 1.25% plus a 1.2% step increase in January. Administrators wage increases were 1.75% and teachers up to 2%. Other non-union unaffiliated staff received 2.0%

The Board of Education requested a budget increase of \$1.7 million; the Board of Finance reduced the bottom line by \$0.45 million to \$44 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 2016 fiscal year. During the current fiscal year, unassigned fund balance in the general fund increased to \$5.2 million. The Town did appropriate \$650,000 of fund balance for spending in the 2016 fiscal year budget a decrease of \$100,000 from prior years.

Overall, the fiscal year 2015 – 2016 budget was increased \$2 million or 3.12%. Town government increased \$568,000 (3.52%) over fiscal year 2015, debt service increased \$212,000 (4.16%), and the Board of Education increased \$1.2 million (2.9%) from the prior year. Capital improvement expenditures were increased \$11,000 (1%).

The following factors played a role in our setting the budget for fiscal year 2015 – 2016 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 2016 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 2014/15 level of spending. Increases in operating costs are primarily due to health insurance premiums, contract issues and state mandates.
- The Town of East Lyme's 2015/2016 budget totals \$67.1 million, which represents a 3.12% increase in expenditures from the fiscal year 2015 adopted budget. The Town's mill rate increased from 24.03 to 24.71 a 0.68 or a 2.8% 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.

Basic Financial Statements

Town of East Lyme, Connecticut

Statement of Net Position
June 30, 2015

	Governmental Type Activities	Business-Type Activities	Total
Assets			
Cash and cash eEquivalents	\$ 7,058,252	\$ 582,587	\$ 7,640,839
Investments	3,215,161	-	3,215,161
Receivables:			
Property taxes, net of allowance for collection losses	2,038,647	-	2,038,647
Assessments/use charges	4,471,514	409,361	4,880,875
Intergovernmental	850,615	-	850,615
Internal balances	941,851	(941,851)	-
Other assets	177,380	84,822	262,202
Restricted cash	5,253,455	-	5,253,455
Capital assets, not being depreciated	22,241,505	623,015	22,864,520
Capital assets, net of accumulated depreciation	92,934,542	46,129,591	139,064,133
Total assets	139,182,922	46,887,525	186,070,447
Deferred Outflows of Resources			
Deferred pension amounts	777,247	-	777,247
Deferred charges on refundings	1,214,463	-	1,214,463
Total deferred outflows of resources	1,991,710	-	1,991,710
Liabilities			
Accounts payable and accruals	4,829,612	102,183	4,931,795
Accrued interest payable	548,595	-	548,595
Bond anticipation notes payable	740,000	-	740,000
Meter deposits	-	3,795	3,795
Unearned revenue	57,065	-	57,065
Long-term liabilities:			
Due within one year	5,548,540	-	5,548,540
Due in more than one year	63,776,363	-	63,776,363
Total liabilities	75,500,175	105,978	75,606,153
Deferred Inflows of Resources			
Deferred pension amounts	220,528	-	220,528
Total deferred inflows of resources	220,528	-	220,528
Net Position			
Net investment in capital assets	60,368,374	46,752,606	107,120,980
Restricted:			
Culture and recreation	14,673	-	14,673
Unrestricted (deficit)	5,070,882	28,941	5,099,823
Total net position	\$ 65,453,929	\$ 46,781,547	\$ 112,235,476

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Activities
For the Year Ended June 30, 2015

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
Governmental Activities:							
General government	\$ 6,977,453	\$ 1,437,167	\$ -	\$ -	\$ (5,540,286)	\$ -	\$ (5,540,286)
Public safety	4,314,890	72,950	60,759	-	(4,181,181)	-	(4,181,181)
Public works	8,917,730	4,694,457	202,470	798,869	(3,221,934)	-	(3,221,934)
Health and welfare	277,537	-	27,266	-	(250,271)	-	(250,271)
Culture and recreation	2,541,611	750,884	5,000	-	(1,785,727)	-	(1,785,727)
Education	56,366,227	3,635,213	13,364,449	-	(39,366,565)	-	(39,366,565)
Interest expense	399,743	-	-	-	(399,743)	-	(399,743)
Total governmental activities	79,795,191	10,590,671	13,659,944	798,869	(54,745,707)	-	(54,745,707)
Business-type Activities:							
Sewer department	2,718,832	1,909,028	-	-	-	(809,804)	(809,804)
Total business-type activities	2,718,832	1,909,028	-	-	-	(809,804)	(809,804)
Total primary government	\$ 82,514,023	\$ 12,499,699	\$ 13,659,944	\$ 798,869	(54,745,707)	(809,804)	(55,555,511)
General Revenues:							
Property taxes					49,664,443	-	49,664,443
Grants and contributions not restricted to specific programs					1,572,218	-	1,572,218
Income from investments					50,351	-	50,351
Miscellaneous					248,364	-	248,364
Transfers					(46,946)	46,946	-
Total general revenues and transfers					51,488,430	46,946	51,535,376
Change in net position					(3,257,277)	(762,858)	(4,020,135)
Net Position - beginning, restated (Note 1)					68,711,206	47,544,405	116,255,611
Net Position - ending					\$ 65,453,929	\$ 46,781,547	\$ 112,235,476

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Balance Sheet - Governmental Funds
June 30, 2015

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund		
Assets						
Cash and cash equivalents	\$ 3,924,005	\$ 747,169	\$ 3,524,303	\$ 1,729,152	\$ 1,102,025	\$ 11,026,654
Investments	3,215,161	-	-	-	-	3,215,161
Receivables (net of allowances for collection losses):						
Property taxes	2,038,647	-	-	-	-	2,038,647
Assessments/use charges	52,577	3,606,522	-	-	690,014	4,349,113
Intergovernmental	54,829	-	319,370	370,402	106,014	850,615
Advances to other funds	-	616,294	-	-	-	616,294
Due from other funds	606,855	911,221	133,385	348,969	30,744	2,031,174
Other	136,601	8,579	-	-	32,200	177,380
Total assets	\$ 10,028,675	\$ 5,889,785	\$ 3,977,058	\$ 2,448,523	\$ 1,960,997	\$ 24,305,038
Liabilities						
Accounts payable and accruals	\$ 1,956,071	\$ -	\$ 293,490	\$ 435,510	\$ 692,435	\$ 3,377,506
Due to other funds	79,383	33,346	400,839	416,678	210,904	1,141,150
Unearned revenue	-	-	-	-	57,065	57,065
Bond anticipation notes payable	-	-	740,000	-	-	740,000
Advances from other funds	-	-	616,294	-	-	616,294
Total liabilities	2,035,454	33,346	2,050,623	852,188	960,404	5,932,015
Deferred Inflows of Resources						
Unavailable revenue	1,972,851	3,597,239	319,370	370,402	496,067	6,755,929
Total deferred inflows of resources	1,972,851	3,597,239	319,370	370,402	496,067	6,755,929
Fund Balances (Deficits)						
Nonspendable	-	616,294	-	-	32,200	648,494
Restricted	-	-	1,607,065	1,225,933	14,673	2,847,671
Committed	-	1,642,906	-	-	573,292	2,216,198
Assigned	836,994	-	-	-	-	836,994
Unassigned (deficits)	5,183,376	-	-	-	(115,639)	5,067,737
Total fund balances	6,020,370	2,259,200	1,607,065	1,225,933	504,526	11,617,094
Total liabilities, deferred inflows of resources and fund balances	\$ 10,028,675	\$ 5,889,785	\$ 3,977,058	\$ 2,448,523	\$ 1,960,997	

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.	115,176,047
Deferred inflows of resources - unavailable revenue	6,755,929
Deferred outflows of resources - deferred amounts on refunding	1,214,463
Deferred inflow - pension credit	(220,528)
Deferred outflow - pension expense	777,247
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(69,324,903)
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.	7,175
Accrued interest payable not recorded in the funds.	(548,595)

Net position of governmental activities

\$ 65,453,929

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, 2015

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund		
Revenues						
Property tax assessments and lien fees	\$ 49,782,485	\$ -	\$ -	\$ -	\$ -	\$ 49,782,485
Intergovernmental	14,231,113	-	582,740	-	1,188,867	16,002,720
Other revenues	-	-	213,154	35,210	-	248,364
Charges for services	7,050,389	1,104,989	-	68,202	3,142,805	11,366,385
Investment income	36,613	854	10,400	2,481	3	50,351
Total revenues	71,100,600	1,105,843	806,294	105,893	4,331,675	77,450,305
Expenditures						
Current:						
General government	6,239,710	-	-	-	-	6,239,710
Public safety	3,807,681	-	-	-	-	3,807,681
Public works	3,894,401	88,825	112,303	1,037,778	1,995,381	7,128,688
Health and welfare	262,123	-	-	-	-	262,123
Culture and recreation	2,332,997	-	-	-	5,000	2,337,997
Education	49,709,355	-	-	-	1,777,711	51,487,066
Capital outlay	1,940,082	-	6,169,794	1,257,502	-	9,367,378
Debt Service:						
Principal retirements	3,617,920	-	-	-	445,963	4,063,883
Interest and other charges	1,351,155	-	-	103,371	-	1,454,526
Total expenditures	73,155,424	88,825	6,282,097	2,398,651	4,224,055	86,149,052
Excess (deficiency) of revenues over (under) expenditures	(2,054,824)	1,017,018	(5,475,803)	(2,292,758)	107,620	(8,698,747)
Other Financing Sources (Uses)						
Transfers in	852,464	-	-	189,000	-	1,041,464
Transfers (out)	(189,000)	(852,464)	-	-	(46,946)	(1,088,410)
Issuance of capital lease	873,014	-	-	-	-	873,014
Issuance of refunding bonds	5,580,000	-	-	-	-	5,580,000
Cash to escrow	(5,716,709)	-	-	-	-	(5,716,709)
Bond premium	264,652	-	-	-	-	264,652
Issuance of drinking water notes	-	-	1,203,458	-	-	1,203,458
Issuance of bond anticipation notes	-	-	315,000	2,640,000	-	2,955,000
Total other financing sources (uses)	1,664,421	(852,464)	1,518,458	2,829,000	(46,946)	5,112,469
Change in fund balances (deficits)	(390,403)	164,554	(3,957,345)	536,242	60,674	(3,586,278)
Fund balances, beginning	6,410,773	2,094,646	5,564,410	689,691	443,852	15,203,372
Fund balances, ending	\$ 6,020,370	\$ 2,259,200	\$ 1,607,065	\$ 1,225,933	\$ 504,526	\$ 11,617,094

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, 2015**

Net change in fund balances – total governmental funds	\$ (3,586,278)
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.	4,000,787
Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(865,445)
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.	(269,555)
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.	(20,850)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(2,515,936)</u>
Change in net position of governmental activities	<u><u>\$ (3,257,277)</u></u>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2015

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
Assets		
Current Assets		
Cash and cash equivalents	\$ 582,587	\$ 1,285,053
Receivables:		
User charges	409,361	-
Other	74,572	122,401
Due from other funds	40,494	60,929
Inventory	10,250	-
Total current assets	1,117,264	1,468,383
Noncurrent Assets		
Capital assets, net of accumulated depreciation	46,752,606	-
Total noncurrent assets	46,752,606	-
Total assets	47,869,870	1,468,383
Liabilities		
Current Liabilities		
Accounts payable	52,752	356,004
Meter deposits	3,795	-
Claims payable	-	1,096,102
Due to other funds	982,345	9,102
Compensated absences	49,431	-
Total liabilities	1,088,323	1,461,208
Net Position		
Net Investment in Capital Assets	46,752,606	-
Unrestricted	28,941	7,175
Total net position	\$ 46,781,547	\$ 7,175

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, 2015

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Operating Revenues		
Charges for services and other	\$ 1,909,028	\$ 7,472,255
Total operating revenues	<u>1,909,028</u>	<u>7,472,255</u>
Operating Expenses		
General and administrative	78,708	684,296
Labor and maintenance	1,755,756	-
Claims	-	9,303,970
Depreciation	884,368	-
Total operating expenses	<u>2,718,832</u>	<u>9,988,266</u>
Operating (loss)	<u>(809,804)</u>	<u>(2,516,011)</u>
Nonoperating Revenues		
Investment income	-	75
Total nonoperating revenues	<u>-</u>	<u>75</u>
Net (loss) before transfers	<u>(809,804)</u>	<u>(2,515,936)</u>
Transfers and Other Financing Sources		
Transfers in	46,946	-
	<u>46,946</u>	<u>-</u>
Change in net position	(762,858)	(2,515,936)
Net position, beginning	47,544,405	2,523,111
Net position, ending	<u>\$ 46,781,547</u>	<u>\$ 7,175</u>

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 1,819,163	\$ -
Payments to suppliers	(1,259,301)	-
Payment to employees	(512,021)	-
Receipts from premiums	-	7,349,854
Cash paid for claims and administration	-	(9,056,745)
Net cash provided by (used in) operating activities	47,841	(1,706,891)
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(67,520)	-
Net cash used in capital and related financing activities	(67,520)	-
Cash Flows From Noncapital Financing Activities		
Transfers in	46,946	-
Net cash provided by noncapital financing activities	46,946	-
Cash Flows Provided by Investing Activities		
Investment income	-	75
Net cash provided by investing activities	-	75
Net increase (decrease) in cash and cash equivalents	27,267	(1,706,816)
Cash and Cash Equivalents		
Beginning	555,320	2,991,869
Ending	\$ 582,587	\$ 1,285,053

(Continued)

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
<hr/>		
Reconciliation of Operating Loss to Net		
Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (809,804)	\$ (2,516,011)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	884,368	-
(Increase) decrease in:		
Inventory	(100)	-
Receivables	(89,865)	(122,401)
Due from other funds	15,524	-
Increase (decrease) in:		
Accounts and other payables	43,162	928,164
Due to other funds	4,556	3,357
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	\$ 47,841	\$ (1,706,891)

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2015

	Pension Trust Fund	Private Purpose Trusts	Agency Funds
Assets			
Cash	\$ -	\$ 84,299	\$ 1,830,419
Investments	18,892,246	-	-
Accounts receivable	32,791	-	-
Total assets	18,925,037	84,299	1,830,419
Liabilities			
Payable to others	-	-	1,208,842
Due to student groups	-	-	621,577
Total liabilities	-	-	1,830,419
Net position - restricted for pension benefits and other purposes	\$ 18,925,037	\$ 84,299	\$ -

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, 2015

	Pension Trust Fund	Private Purpose Trusts
Additions		
Contributions		
Employer	\$ 1,145,344	\$ -
Plan members	176,919	-
Other	-	53,350
Total contributions	1,322,263	53,350
Investment income		
Net appreciation in fair value of investments	249,436	-
Interest income	-	38
Total investment income	249,436	38
Total additions	1,571,699	53,388
Deductions		
Benefits	277,768	-
Administration	39,965	-
Other	-	3,489
Total deductions	317,733	3,489
Change in net position	1,253,966	49,899
Net position - restricted for pension benefits and other, beginning	17,671,071	34,400
Net position - restricted for pension benefits and other, ending	\$ 18,925,037	\$ 84,299

See Notes to Financial Statements.

Town of East Lyme, Connecticut

Notes to Financial Statements

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 and welfare, culture and recreation, education and general government.

Accounting principles generally accepted in the United States of America (GAAP) 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. 68, *Accounting and Financial Reporting for Pensions, and its amendment, GASB Statement No. 71*, were implemented on July 1, 2014. These statements revised and established new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 required governments providing defined benefit pensions to recognize their total obligation for pension benefits as a liability for the first time and calls for recognition of more pension expense than is currently required. The effects of the implementation of these statements are as follows: The beginning net position was decreased by \$5,005,382, a net pension liability of \$4,972,112 was added and a net pension asset of \$33,270 was removed. Details can be found in Note 11. The adoption of these GASB standards also provided additional disclosures related to the State Teachers' Retirement Plan for which the Town has no liability as it is a special funding situation.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was implemented on July 1, 2014. This statement provided guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments. 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

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 recognized when earned and expenses are recognized 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 recognized when a liability is incurred as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences, pension liabilities, other post-employment benefit obligations, and claims and judgments are recognized 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

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/deferred outflows of resources and liabilities/deferred inflows of 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

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.

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

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 recognized 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.

Net pension liability: The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The net pension liability is reported in the statement of net position. In the governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. The Town also reports deferred outflows related to pensions in the government-wide statement of net position. A deferred outflow of resources related to pensions results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

The governmental funds report unavailable revenues from property taxes, interest on property taxes, and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available, in accordance with the modified accrual basis of accounting.

Other Postemployment Benefits (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 began 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 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

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 The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances (net of unspent bond proceeds) of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

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	\$ (41,040,440)
Drinking water notes	(6,849,334)
Bond anticipation notes	(2,955,000)
Bond premium	(1,356,547)
OPEB obligations	(7,160,400)
Compensated absences	(1,846,973)
Capital leases payable	(2,112,840)
Early retirement incentive	(388,046)
Net pension liability	(5,447,453)
Landfill closure	<u>(167,870)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (69,324,903)</u></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	\$ 8,794,522
Loss on disposal of assets	(17,952)
Depreciation expense	<u>(4,775,783)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 4,000,787</u></u>

Town of East Lyme, Connecticut

Notes to Financial Statements

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	\$ (2,955,000)
Issuance of general obligation debt	(9,710,000)
Issuance of drinking water notes	(1,203,458)
Bond premium	(264,652)
Deferred charges	231,709
Capital lease	(873,014)
Principal repayments	
General obligation debt	9,090,000
Bond anticipation notes	4,130,000
Capital lease	966,755
Amortization of deferred charges	(281,085)
Amortization of bond premium	240,475
Drinking water notes	358,715
	<hr/>
Net adjustment to decrease net changes in fund balances -	
total governmental funds to arrive at changes in net position of	
governmental activities	\$ (269,555)
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Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

OPEB obligations	\$ (1,041,700)
Compensated absences	52,720
Early retirement incentives	(6,054)
Accrued interest	188,415
SCRRA loan	40,391
Net pension liability	(475,341)
Pension credit	(220,528)
Pension expense	777,247
Claims and other	650,000
Landfill closure	14,000
	<hr/>
Net adjustment to decrease net changes in fund balances -	
total governmental funds to arrive at changes in net position of	
governmental activities	\$ (20,850)
	<hr/> <hr/>

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments

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

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

Interest rate risk: The Town and the Pension Plan do not have a policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates. However, their practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015, \$14,846,068 of the Town's bank balance of \$19,793,329 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

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2015:

Cash and Cash Equivalents:	
Deposits with financial institutions	\$ 13,276,213
State of Connecticut Short-Term Investment Fund	1,532,799
Total cash and cash equivalents	<u>14,809,012</u>
Investments:	
Pension Trust Funds	
Fixed income funds	6,528,157
Mutual funds	12,364,089
	<u>18,892,246</u>
General Fund:	
Certificates of deposit	3,215,161
	<u>3,215,161</u>
Total investments	<u>22,107,407</u>
Total cash, cash equivalents and investments	<u>\$ 36,916,419</u>

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

Statement of Net Position	
Cash and cash equivalents	\$ 12,894,294
Investments	3,215,161
	<u>16,109,455</u>
Fiduciary Funds	
Cash and cash equivalents	1,914,718
Investments	18,892,246
	<u>20,806,964</u>
Total cash, cash equivalents and investments	<u>\$ 36,916,419</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	\$ 1,532,799	\$ 1,532,799	\$ -

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	\$ 1,300,240	\$ -
AAA _m	-	1,532,799
AA	690,942	-
A	1,096,965	-
BBB	931,236	-
BB	1,307,096	-
B	800,506	-
Below B	344,250	-
Other	56,922	-
	<u>\$ 6,528,157</u>	<u>\$ 1,532,799</u>

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 13,308,047	\$ 280,000	\$ -	\$ 13,588,047
Construction in progress	6,443,138	4,327,483	(2,117,163)	8,653,458
Total capital assets, not being depreciated	19,751,185	4,607,483	(2,117,163)	22,241,505
Capital assets, being depreciated:				
Buildings and improvements	124,038,939	1,293,114	-	125,332,053
Machinery and equipment	7,082,132	546,583	(179,550)	7,449,165
Vehicles	7,964,648	409,237	-	8,373,885
Infrastructure	20,576,168	1,748,990	-	22,325,158
Water distribution systems	27,112,388	2,306,278	-	29,418,666
Total capital assets, being depreciated	186,774,275	6,304,202	(179,550)	192,898,927
Total capital assets	206,525,460	10,911,685	(2,296,713)	215,140,432
Less accumulated depreciation for:				
Buildings and improvements	58,617,480	2,140,905	-	60,758,385
Machinery and equipment	4,398,576	267,041	(161,598)	4,504,019
Vehicles	3,794,001	471,751	-	4,265,752
Infrastructure	16,595,805	1,300,059	-	17,895,864
Water distribution systems	11,944,338	596,027	-	12,540,365
Total accumulated depreciation	95,350,200	4,775,783	(161,598)	99,964,385
Total capital assets, being depreciated, net	91,424,075	1,528,419	(17,952)	92,934,542
Governmental activities capital assets, net	\$ 111,175,260	\$ 6,135,902	\$ (2,135,115)	\$ 115,176,047

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
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	616,216	44,520	-	660,736
Sewer distribution systems	58,948,453	23,000	-	58,971,453
Total capital assets, being depreciated	64,655,063	67,520	-	64,722,583
Total capital assets	65,278,078	67,520	-	65,345,598
Less accumulated depreciation for:				
Buildings and improvements	1,833,731	91,627	-	1,925,358
Machinery and equipment	544,610	8,855	-	553,465
Sewer distribution systems	15,330,283	783,886	-	16,114,169
Total accumulated depreciation	17,708,624	884,368	-	18,592,992
Total capital assets, being depreciated, net	46,946,439	(816,848)	-	46,129,591
Total business-type activities capital assets, net	\$ 47,569,454	\$ (816,848)	\$ -	\$ 46,752,606

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

Governmental activities	
General government	\$ 1,587,616
Public safety	290,881
Public works	865,427
Recreation	72,129
Education	1,959,730
Total depreciation expense - governmental activities	\$ 4,775,783
Business-type activities	
Sewer	\$ 884,368
Total depreciation expense - business-type activities	\$ 884,368

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, 2015 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 606,855	\$ 79,383
Sewer Assessments Fund	911,221	33,346
Bonded Capital Projects Fund	133,385	400,839
Capital Nonrecurring Fund	348,969	416,678
Non-Major Governmental Funds and other	91,673	220,006
Enterprise Funds	40,494	982,345
Grand total	\$ 2,132,597	\$ 2,132,597

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, 2015 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 852,464	\$ 189,000
Sewer Assessments Fund	-	852,464
Capital Nonrecurring Fund	189,000	-
Water Department	-	46,946
Enterprise Funds	46,946	-
Grand total	\$ 1,088,410	\$ 1,088,410

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

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
General Fund:		
Delinquent property taxes receivable and interest	\$ 1,928,995	\$ -
Intergovernmental	5,309	-
Other	38,547	-
Sewer Assessments Fund:		
Sewer assessments not yet due	3,597,239	-
Bonded Capital Projects:		
Intergovernmental	319,370	-
Capital Nonrecurring Fund:		
Intergovernmental	370,402	-
Other Nonmajor Governmental Funds:		
Water usage unbilled	496,067	-
Grant drawdowns prior to meeting all eligibility requirements	-	57,065
Total deferred inflows/unearned revenue	<u>\$ 6,755,929</u>	<u>\$ 57,065</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, 2015 is as follows:

Description	Balance July 1, 2014*	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 40,420,440	\$ 9,710,000	\$ 9,090,000	\$ 41,040,440	\$ 4,000,000
Bond anticipation notes	4,130,000	2,955,000	4,130,000	2,955,000	-
Drinking water notes	6,004,591	1,203,458	358,715	6,849,334	306,758
Bond premium	1,332,370	264,652	240,475	1,356,547	-
	<u>51,887,401</u>	<u>14,133,110</u>	<u>13,819,190</u>	<u>52,201,321</u>	<u>4,306,758</u>
Other long-term liabilities:					
OPEB obligations	6,118,700	1,041,700	-	7,160,400	-
Compensated absences	1,899,693	182,325	235,045	1,846,973	250,000
SCRRA Loan	40,391	-	40,391	-	-
Capital lease obligations	2,206,581	873,014	966,755	2,112,840	805,836
Claims and other	650,000	-	650,000	-	-
Early retirement incentives	381,992	408,537	402,483	388,046	171,946
Net pension liability*	4,972,112	475,341	-	5,447,453	-
Landfill closure	181,870	-	14,000	167,870	14,000
Total other long-term liabilities	<u>16,451,339</u>	<u>2,980,917</u>	<u>2,308,674</u>	<u>17,123,582</u>	<u>1,241,782</u>
Governmental activity long-term liabilities	<u>\$ 68,338,740</u>	<u>\$ 17,114,027</u>	<u>\$ 16,127,864</u>	<u>\$ 69,324,903</u>	<u>\$ 5,548,540</u>

* As restated for GASB No. 68

2015 general obligation refunding bond in-substance defeasance: In July 2014, the Town issued \$5,580,000 of general obligation refunding bonds with interest rates of 2.5 to 5%, of which the proceeds were used to advance refund various outstanding principal amounts of the general obligation bond of the Town (the "Refunding Bonds"). Net proceeds of \$5,716,709 (before payment of expenses of \$126,405), were placed in an irrevocable trust under an Escrow Agreement dated July 24, 2014 between the Town and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of primarily non-callable direct obligations of the United States of America (Government Obligations). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,514,112, and a cash savings of \$2,475,862 between the old debt payments and the new debt payments.

The balance of the defeased bonds was approximately \$5,485,000 million at June 30, 2015. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

General obligation bonds - governmental activities: As of June 30, 2015, 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, 2014	Additions	Deductions	Refunded	Balance June 30, 2015
General Purpose									
CIP Var, Darrow, Roads	\$ 6,970,000	7/26/12	7/25/32	2.0-4.0%	\$ 6,970,000	\$ -	\$ -	\$ -	\$ 6,970,000
Open Space & Radio Upgrade	1,295,000	2/2/12	7/15/29	2.0-3.0%	1,295,000	-	-	-	1,295,000
TIF, Tech, & CIP	135,000	4/18/11	7/15/16	2.0-5.0%	64,000	-	32,000	-	32,000
Land Acq, Road, Fire Pump	3,860,000	2/9/11	2/9/31	2.0-5.0%	3,685,000	-	175,000	3,335,000	175,000
Open Space	918,000	2/10/10	7/15/26	2.0-5.0%	787,000	-	74,000	-	713,000
Radio System Upgrade	1,105,000	7/16/09	7/15/30	3.5-5.0%	50,000	-	50,000	-	-
Ref Var, Athletic Complex	6,930,000	7/24/14	7/15/30	2.0-4.0%	-	6,930,000	-	-	6,930,000
Total general purpose					12,851,000	6,930,000	331,000	3,335,000	16,115,000
Schools									
CIP Culinary, Music Wall, Var	750,000	7/26/12	7/15/32	.65% - 3.1%	750,000	-	-	-	750,000
HS Roof & School Reno	1,693,000	2/2/12	7/15/28	2.0-3.0%	1,693,000	-	-	-	1,693,000
ELMS, Roof, School CIP	6,876,000	4/18/11	7/15/21	2.0-5.0%	5,167,000	-	762,000	-	4,405,000
ELMS, HS Roof & Ren Ref	7,785,000	2/10/10	7/15/24	2.0-5.0%	6,544,000	-	767,000	-	5,777,000
ELHS & Pool Refunding	3,969,000	7/16/09	7/15/19	3.0-4.0%	2,280,000	-	464,000	1,816,000	-
CO Roof, Tennis Court, Network	1,774,000	7/24/14	7/15/30	2.0-4.0%	-	1,774,000	-	-	1,774,000
Total schools					16,434,000	1,774,000	1,993,000	1,816,000	14,399,000
Sewer									
Pine Grove Sewer	580,000	2/2/12	7/15/28	2.0-3.0%	580,000	-	-	-	580,000
Sewer Const. - Ref 92 7 95	4,955,000	4/18/11	7/15/18	2.0-5.0%	3,170,000	-	765,000	-	2,405,000
Pine Grove Sewer Refund	2,182,000	2/10/10	7/15/26	2.0-5.0%	1,889,000	-	174,000	-	1,715,000
Sewer Const (Colton Rd)-Ref	531,000	7/16/09	7/15/19	3.0%	305,000	-	63,000	242,000	-
Clean Water Phase III	8,588,195	12/30/94	12/21/14	2.0%	440	-	-	-	440
Logger Hill, Ref	916,000	7/24/14	7/15/30	2.0-4.0%	-	916,000	-	-	916,000
Total sewers					5,944,440	916,000	1,002,000	242,000	5,616,440
Water Bonds									
DWSRF 2012-7010	360,516	6/30/13	12/31/32	2.0%	335,043	-	15,121	-	319,922
Various Water Projects	1,000,000	7/26/12	7/15/32	2.0-4.0%	1,000,000	-	-	-	1,000,000
2012 Ref Bonds 2009	3,762,000	2/12/12	7/15/29	2.0-3.0%	3,762,000	-	-	-	3,762,000
DWSRF/ARRA 2010-8003	401,454	12/29/11	6/30/31	2.06%	346,515	-	17,269	-	329,246
Water Bonds - ref 98	239,000	4/18/11	7/15/16	2.0-5.0%	114,000	-	56,000	-	58,000
Various Water Projects	4,180,000	7/16/09	7/15/30	3.5-5.0%	200,000	-	200,000	-	-
Water Ref 03 Bonds	200,000	7/16/09	7/15/19	3.0-4.0%	115,000	-	23,000	92,000	-
Refunding	90,000	7/24/14	7/15/30	2.0-4.0%	-	90,000	-	-	90,000
DWSRF 2013-7022	6,526,492	6/30/15	6/30/34	2.0%	5,323,034	1,203,458	326,325	-	6,200,167
Total water					11,195,592	1,293,458	637,715	92,000	11,759,335
Total bonds/notes - governmental activities					\$ 46,425,031	\$ 10,913,458	\$ 3,963,715	\$ 5,485,000	\$ 47,889,774

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

The following is a summary as of June 30, 2015, 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
2016	\$ 4,000,000	\$ 1,218,448	\$ 5,218,448
2017	4,020,000	1,082,998	5,102,998
2018	4,175,000	953,773	5,128,773
2019	3,425,000	839,998	4,264,998
2020	2,925,000	749,552	3,674,552
2021-2025	11,470,000	2,515,433	13,985,433
2026-2030	7,965,000	1,041,835	9,006,835
2031-2035	3,060,440	185,571	3,246,011
Total	\$ 41,040,440	\$ 8,587,608	\$ 49,628,048

Bond anticipation notes and subsequent event: The Town has \$3,695,000 of tax-exempt general obligation bond anticipation notes (BANS) outstanding as of June 30, 2015. The notes bear interest at 1.0%. The Notes matured on July 21, 2016.

Bond anticipation note transactions for the year ended June 30, 2015 were as follows:

Outstanding, July 1, 2014	\$ 5,120,000
New borrowings	3,695,000
Repayments	(5,120,000)
Outstanding, June 30, 2015	<u>\$ 3,695,000</u>
Reported as:	
Long-term debt	<u>\$ 2,955,000</u>
Short-term debt	<u>\$ 740,000</u>

On July 9, 2015, the Town issued \$6,190,000 of general obligation bonds. Bond anticipation notes of \$2,955,000 at June 30, 2015, with an original maturity of July 21, 2015, were paid off and permanently financed with this issue. The bonds have principal and interest payments ranging from \$325,000 to \$365,000, with interest ranging from 2.0%-4.0% and mature on July 15, 2035. In addition, the Town reissued \$740,000 of General Obligation Bond Anticipation Notes with an interest rate of 1.25% and due to mature on July 21, 2016.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

Drinking water fund notes: The Town has drinking water notes in the amount of \$6,849,334. 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, 2015, of the future principal and interest requirements for the Town's drinking water notes - governmental activities:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 306,758	\$ 118,807	\$ 425,565
2017	312,960	113,283	426,243
2018	319,288	107,646	426,934
2019	325,744	101,897	427,641
2020	332,331	96,031	428,362
2021-2025	1,765,206	387,937	2,153,143
2026-2030	1,951,029	222,477	2,173,506
2031-2035	1,536,018	48,046	1,584,064
Total	\$ 6,849,334	\$ 1,196,124	\$ 8,045,458

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2015 consists of the following:

General purpose	\$ 8,495,000
Schools	256,066
Sewer	4,366,046
	<u>\$ 13,117,112</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	\$ 112,207,232	\$ 27,340,000	\$ 84,867,232
Schools	224,414,465	15,620,066	208,794,399
Sewers	187,012,054	9,982,486	177,029,568
Urban renewal	162,077,113	-	162,077,113
Pension deficit	149,609,643	-	149,609,643

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$349,089,167.

Capital lease: At June 30, 2015, 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

Note 7. Long-Term Liabilities (Continued)

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

2016	\$	805,836
2017		645,077
2018		483,002
2019		198,396
2020		30,226
Total		<u>2,162,537</u>
Less amount representing interest		<u>(49,697)</u>
	\$	<u><u>2,112,840</u></u>

SCRRRA loan: On April 1, 2010, the Town borrowed \$295,000 to purchase recyclers for residents to assist in its recycling efforts. The loan was paid off during 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, 2015, \$402,483 was paid for these benefits. At June 30, 2015, approximately \$388,046 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 \$167,870 as of June 30, 2015. 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

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,
2013-2014	\$ 452,711	\$ 6,659,442	\$ 6,639,865	\$ 472,288
2014-2015	472,288	9,303,970	8,680,156	1,096,102

Such amounts are recorded as a component of long-term liabilities in the statement of net position.

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 immaterial to the financial statements.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans

Statement of Plan Net Position
June 30, 2015

	Pension Trust funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
Assets			
Investments			
Mutual funds	\$ 11,197,375	\$ 1,166,714	\$ 12,364,089
Fixed income funds	6,528,157	-	6,528,157
Accounts receivable	32,791	-	32,791
Total investments	17,758,323	1,166,714	18,925,037
Total net position	17,758,323	1,166,714	18,925,037
Net position - restricted for pension benefits	\$ 17,758,323	\$ 1,166,714	\$ 18,925,037

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, 2015

	Pension Trust funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
Additions			
Contributions:			
Employer	\$ 1,076,823	\$ 68,521	\$ 1,145,344
Plan members	137,763	39,156	176,919
Total contributions	1,214,586	107,677	1,322,263
Investments:			
Net appreciation in fair value of investments	220,949	28,487	249,436
Total investment income	220,949	28,487	249,436
Total additions	1,435,535	136,164	1,571,699
Deductions			
Benefits	259,897	17,871	277,768
Administration	39,500	465	39,965
Total deductions	299,397	18,336	317,733
Changes in net position	1,136,138	117,828	1,253,966
Restricted net position, beginning	16,622,185	1,048,886	17,671,071
Restricted net position, ending	\$ 17,758,323	\$ 1,166,714	\$ 18,925,037

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

Note 11. Retirement Plans (Continued)

Classes of Employees Covered

At January 1, 2015, the date of the last actuarial valuation, membership in the plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		32
Terminated employees entitled to benefits but not yet receiving them		21
Inactive participants		-
Current employees		
Vested	108	
Nonvested	81	189
		<u>242</u>

Benefit Provisions

Eligibility Employees other than Police Officers and Firefighters become participants on the first month following 6 months of service and age 25. Police Officers and Firefighters become participants on the first of the month after hire if they make contributions. Effective 7/11/2005, Police Officers contribute 8% of pay. Effective 7/1/2006 Firefighters contribute 5.5% of pay.

Normal Retirement Date For Firefighters, the later of age 50 or the completion of 25 years of service. For Police Officers, the later of age 50 or the completion of 25 years of service. For other participants, age 65 or, if later, 10 years of service. However, in no event will any Participant's Normal Retirement Date be greater than age 71.

Normal Retirement Benefit

Firefighters: 1% of three year final average earnings times years of service prior to 8/1/1986, plus 2% of three year final average earnings times years of service after 8/1/1986.

Firefighter COLA: For Retirees whose benefits start on or after 7/1/2010, as of the date which is one year following a Participant's retirement date, his retirement benefit shall be subject to an annual cost of living adjustment of one percent (1%).

Police Officers: 1% of three year final average earnings times years of service prior to 7/1/1986, plus 2% of three year final average earnings times years of service after 7/1/1986. Maximum of 80% of base pay at retirement.

Police COLA: For Retirees whose benefits start on or after 7/ 1/2006, as of the date which is one year following a Participant's retirement date, his retirement benefit shall be subject to an annual cost of living adjustment of one percent (1%).

Other Participants: 1% of five year final average earnings times years of service.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Accrued Benefit	Normal Retirement Benefit based on earnings and service to date.
Normal Form of Benefit	Life Annuity.
Delayed Retirement	Upon the death of a participant after his NRD but before his actual retirement date, it will be presumed he had retired at his NRD and elected a benefit payable for 120 months certain and life thereafter.
Normal Form of Benefits	Single life annuity.
Accrued Benefit	Normal Retirement Benefit assuming service to NRD multiplied by the number of years of continuous service at termination divided by service projected to NRD.
Continuous Service	A Participant's employment with the Employer from the date he most recently entered such service until the date such service ends due to a Participant's retirement, death or of service.
Eligible Employee	An employee who is classified as a regular full-time employee with one year of Continuous Service. This excludes temporary employees, part-time employees, and any seasonal employee whose customary employment is for less than five months a year.
Benefit Accrual Service	All Continuous Service while an employee computed as whole years and 1/12th fraction for each completed month of Continuous Service.
<u>Early Retirement Benefit</u>	Minimum Age: 55 Minimum Service: 15 Years Benefit Amount: Accrued Benefit, reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which early retirement precedes normal retirement. Participants age 62 with 15 years of service or age 55 with 25 years of service are eligible for an unreduced benefit.
<u>Pre-Retirement Death Benefit</u>	Minimum Age: 45 (Prior to 1/1/2009, age 55) Minimum Service: 10 Years (Prior to 1/1/2009, 15 Years) It will be assumed that an eligible participant, who dies before his NRD, had retired on the day prior to death and elected a 100% (50% prior to 1/1/2009) Joint & Survivor Annuity.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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.

Summary of significant accounting policies and plan asset matters:

Basis of accounting: The Retirement Pension Trust's financial statements are accounted for using the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits, administration, and refunds) are recognized when they are due and payable in accordance with the terms of the plan.

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.

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 typically 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, 2015:

Amer Fds Fundamental Investors INV OPT	\$ 1,094,677
Eaton Vance Atlanta Cap SMID-CAP A	1,630,552
Loomis Sayles Bond Inv. Opt.	1,209,691
MFS International Value Inv Opt	1,140,691
Franklin Temp Conservative Alloc A	1,554,367
Janus Balanced A	961,281
Putnam High Yield Advantage A	1,496,759
Templeton Global Bond A	1,345,980
Oppenheimer International Growth INV OPT	1,105,298
T. Rowe Price Equity Income	1,382,473

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2015 were as follows:

Retirement Pension Trust	2015	2014
Total pension liability	\$ 23,172,985	\$ 21,537,336
Plan fiduciary net position	17,725,532	16,565,224
Net pension liability	\$ 5,447,453	\$ 4,972,112
Plan fiduciary net position as a percentage of total pension liability	76.49%	76.91%

Money-weighted rate of return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 1.30%. 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, 2015, using the following actuarial assumptions, which was projected forward to the measurement date of June 30, 2015:

Actuarial Method Used:	Entry Age Normal Cost Method
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, 2015, 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, 2015 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%	5.00%
Fixed income	35.00%	2.00%
Real estate	0.00%	0.00%
Cash	5.00%	0.25%
	100.00%	

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	\$ 8,346,693	\$ 5,447,453	\$ 3,008,538

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Changes in the Net Pension Liability

	Retirement Pension Trust		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	\$ 21,537,336	\$ 16,565,224	\$ 4,972,112
Changes for the year:			
Service cost	620,611	-	620,611
Interest	1,541,759	-	1,541,759
Difference between expected and actual experience	(256,503)	-	(256,503)
Contributions - employer	-	1,076,823	(1,076,823)
Contributions - members	-	172,854	(172,854)
Net investment income	-	220,349	(220,349)
Benefit payments, including refunds of employee contributions	(270,218)	(270,218)	-
Administrative expense	-	(39,500)	39,500
Net changes	1,635,649	1,160,308	475,341
Balances at 6/30/15	\$ 23,172,985	\$ 17,725,532	\$ 5,447,453

For the year ended June 30, 2015, the Town recognized pension expense of \$995,445. As of June 30, 2015, the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions in the statement of net position from the following sources:

Retirement Pension Trust	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (220,528)
Net difference between projected and actual earnings on pension plan investments	777,247	-
Total	\$ 777,247	\$ (220,528)

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

<u>Year Ended June 30,</u>	<u>Retirement Pension Trust</u>
2016	\$ 158,337
2017	158,337
2018	158,337
2019	158,336
2020	(35,975)
Thereafter	(40,653)

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, 2015, there were 15 plan members. The Town contributed \$68,521.

Connecticut State Teachers' Retirement System:

All certified personnel participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. These employees are eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are serviced in the public schools of Connecticut.

Description of system: Eligible employees within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing multiple employer defined benefit pension system with a special funding situation. As such, the Town.

The System is considered 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 at www.ct.gov.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Summary of significant accounting policies: For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,060,000 as payments made by the State of Connecticut on-behalf of the Town. The Town does not have any liability for teacher pensions.

Benefits provided:

The benefits provided to participants by the System are as follows:

Normal benefit: A member at age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

Prorated benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

Minimum benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Contribution requirements: The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Employees are required to contribute 6.0% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2014/2015 school year, \$1,454,377 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$20,060,000.

Employers are not required to make contributions to the Plan.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following key actuarial assumptions:

Inflation	3.00 Percent
Salary increases, including inflation	3.75-7.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.50 Percent

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

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

Teachers' Retirement

Asset Class	Target Allocation	Expected Rate of Return
Large cap U.S. equities	21.00%	7.30%
Developed non-U.S. equities	18.00%	7.50%
Emerging markets (non-U.S.)	9.00%	8.60%
Core fixed income	7.00%	1.70%
Inflation linked bond fund	3.00%	1.30%
Emerging market bond	5.00%	4.80%
High yield bonds	5.00%	3.70%
Real estate	7.00%	5.90%
Private equity	11.00%	10.90%
Alternative investments	8.00%	0.70%
Liquidity fund	6.00%	0.40%
	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 8.50 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability (NPL) to changes in the discount rate: The following presents the State's proportionate share of the net pension liability (NPL) associated with the Town, calculated using the discount rate of 8.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.50 percent) or 1-percentage-point higher (9.50 percent) than the current rate. The Town has no accrued any of the liability as the responsibility for the liability is with the State.

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
State's portion of the NPL associated with the Town	\$ 67,784,580	\$ 53,116,835	\$ 40,648,817

Pension liabilities, pension expense, and deferred inflows/outflows of resources: The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the State net pension liability that was associated with the Town was \$53,116,835 and 100% of the collective net pension liability is allocated to the State. The Town has no proportionate share of the liability.

June 30, 2014 is the actuarial valuation date upon which the total pension liability is based.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2015, the Town recognized \$3,985,281 as the amount expended by the State on behalf of the Town to meet the State's funding requirements in the Statement of Activities.

Other information: Additional information is included in the required supplementary section of the financial statements.

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.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 12. Other Post-Employment Benefits (Continued)

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, 2014. 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, 2014, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	43
Active plan members	446
	<hr/>
Total	489
	<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.

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
6/30/15	\$ 1,020,400	\$ (21,300)	-2.09%	\$ 7,160,400
6/30/14	1,015,200	196,700	19.38%	6,118,700
6/30/13	1,226,400	21,800	1.78%	5,300,200

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
7/1/2014	\$ -	\$ 10,485,000	\$ 10,485,000	0.0%	\$ 30,913,000	34.0%

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 12. Other Post-Employment Benefits (Continued)

OPEB obligation:

Annual required contribution	\$ 1,116,000
Interest on net pension obligation	244,700
Adjustment to ARC	<u>(340,300)</u>
Annual OPEB cost	1,020,400
Contributions made	<u>(21,300)</u>
Increase in net OPEB liability	1,041,700
Net OPEB obligation, beginning of year	<u>6,118,700</u>
Net OPEB obligation, end of year	<u><u>\$ 7,160,400</u></u>

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

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

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

Valuation Date:	July 1, 2014
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	Starts at 9% in 2014, decrease by 0.5% per year down to 4.5% in 2023 and beyond.

Note 13. Fund Deficits

The following fund had a fund deficit as of June 30, 2015:

School Lunch Fund	<u><u>\$ (115,639)</u></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, 2015 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	-	-	-	-	32,200
	-	616,294	-	-	32,200
Restricted:					
Capital projects	-	-	-	-	-
Recreation	-	-	-	-	14,673
	-	-	-	-	14,673
Committed:					
Public works	-	1,642,906	-	-	573,292
Capital projects	-	-	1,607,065	1,225,933	-
	-	1,642,906	1,607,065	1,225,933	573,292
Assigned:					
Public works	84,873	-	-	-	-
Recreation	138,771	-	-	-	-
General government	15,560	-	-	-	-
Education	597,790	-	-	-	-
	836,994	-	-	-	-
Unassigned (deficits):	5,183,376	-	-	-	(115,639)
Total fund balances	\$ 6,020,370	\$ 2,259,200	\$ 1,607,065	\$ 1,225,933	\$ 504,526

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 75, which will most likely have a material impact, though the amount has not yet been determined:

- GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015.

Town of East Lyme, Connecticut

Notes to Financial Statements

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

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
 - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
 - Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
 - Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

Town of East Lyme, Connecticut

Notes to Financial Statements

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

- GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
 - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
 - The gross dollar amount of taxes abated during the period
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard narrows the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The requirements of this Statement are effective for financial statements for periods beginning after beginning after June 15, 2015. Portfolio quality and monthly shadow pricing are effective for periods beginning after December 15, 2015. Earlier application is encouraged.

Town of East Lyme, Connecticut

Notes to Financial Statements

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

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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**Required Supplementary
Information - Unaudited**

**Required Supplementary Information - Unaudited
Schedules of Employer Contributions
Last Ten Fiscal Years
June 30, 2015**

Schedule of Employer Contributions - Retirement Pension Trust

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
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%
2015	1,076,823	1,076,823	-	8,573,798	12.6%

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual Entry Age Normal, level percentage of compensation
Amortization method:	Level amortization, closed
Remaining amortization period:	19 years; amortizing initial liability over a twenty-year period, gains and losses over a five-year period and assumption changes over a ten-year period.
Asset valuation method:	Five-year asset average method
Salary increases:	4.50%
Investment rate of return:	7.00%
Retirement age:	Normal Retirement Age
Mortality:	RP2000 Generational Mortality Table using Scale AA

Required Supplementary Information - Unaudited
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
Last Two Fiscal Years

Retirement Pension Trust	2015	2014
Changes in Net Pension Liability		
Total Pension Liability		
Service cost	\$ 620,611	\$ 607,102
Interest on total pension liability	1,541,759	1,516,865
Differences between expected and actual experience	(256,503)	-
Benefit payments	(270,218)	(254,567)
Net change in total pension liability	1,635,649	1,869,400
Total Pension Liability, beginning	21,537,336	19,667,936
Total pension liability, ending (a)	23,172,985	21,537,336
Fiduciary Net Position		
Employer contributions	1,076,823	1,031,092
Member contributions	172,854	133,430
Investment income net of investment expenses	220,349	2,037,638
Benefit payments	(270,218)	(254,567)
Administrative expenses	(39,500)	(2,900)
Net change in plan fiduciary net position	1,160,308	2,944,693
Fiduciary Net Position, beginning	16,565,224	13,620,531
Fiduciary net position, ending (b)	17,725,532	16,565,224
Net pension liability, ending = (a) - (b)	\$ 5,447,453	\$ 4,972,112
Fiduciary net position as a % of total pension liability	76.49%	76.91%
Covered payroll	\$ 8,573,798	\$ 8,559,474
Net pension liability as a % of covered payroll	63.54%	58.09%
Required Supplementary Information - Unaudited		
Schedule of Investment Returns		
June 30, 2015	2015	2014
Annual money-weighted rate of return, net of investment expense	1.30%	14.90%

Required Supplementary Information - Unaudited
Schedule of the Town's Proportionate Share of the Net Pension Liability - Teacher' Retirement System
For the Year Ended June 30, 2015

Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>\$ 53,116,835</u>
Total	<u>\$ 53,116,835</u>
Town's covered-employee payroll	<u>\$ 20,060,000</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>61.51%</u>

Notes to Schedule

Change in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Methods and assumptions used in calculations of actuarially determined contributions	The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00%
Salary Increase	3.75-7.00%, including inflation
Investment Rate of Return	8.50%, net of investment expense

Required Supplementary Information - Unaudited
Schedule of Funding Progress and Employer Contributions - OPEB
For the Year Ended June 30, 2015

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%
7/1/2014	-	10,485,000	10,485,000	0.0%	30,913,000	34.0%

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
06/30/11	\$ 1,163,800	\$ 240,700	21.20%
06/30/12	1,271,200	(5,900)	(0.48)%
06/30/13	1,290,300	(21,800)	1.78%
06/30/14	1,098,000	196,700	17.91%
06/30/15	1,116,000	(21,300)	-2.00%

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, 2015

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget
	Original	Final		
Revenues				
Taxes, interest and lien fees	\$ 49,638,622	\$ 49,638,622	\$ 49,782,485	\$ 143,863
Intergovernmental	9,259,262	9,385,857	9,171,113	(214,744)
Charges for services	4,568,093	4,612,593	5,088,345	475,752
Income from investments	35,000	35,000	35,827	827
Total revenues	63,500,977	63,672,072	64,077,770	405,698
Expenditures				
Current:				
General government	6,389,532	6,320,238	6,208,719	111,519
Public safety	3,738,126	3,948,123	3,806,533	141,590
Public works	3,781,698	3,876,702	3,767,781	108,921
Health and welfare	266,129	267,574	262,122	5,452
Culture and recreation	1,951,511	1,951,511	1,926,454	25,057
Education	42,792,767	42,792,767	42,797,407	(4,640)
Capital outlay	1,088,686	1,290,080	1,247,649	42,431
Debt service	5,105,149	4,992,767	4,841,132	151,635
Total expenditures	65,113,598	65,439,762	64,857,797	581,965
Excess (deficiency) of revenues over (under) expenditures	(1,612,621)	(1,767,690)	(780,027)	987,663
Other Financing Sources				
Transfers in	862,621	862,621	881,144	18,523
Use of Fund Balance	750,000	896,000	146,000	(750,000)
Total other financing sources	1,612,621	1,758,621	1,027,144	(731,477)
Total	\$ -	\$ (9,069)	\$ 247,117	\$ 256,186

See Notes to Required Supplementary Information - Unaudited.

Town of East Lyme, Connecticut

Note to Required Supplementary Information – Unaudited

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, 2015 aggregated \$326,164 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)

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
Balance, budgetary basis	\$ 65,104,914	\$ 64,857,797
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	5,060,000	5,060,000
Cancellation of prior year encumbrances	7,480	-
Refunding, net	5,844,652	5,777,766
Capital lease	873,014	873,014
GASB 54 effect	1,780,670	1,760,170
Encumbrances:		
June 30, 2014	-	817,259
June 30, 2015	-	(84,873)
Balance, GAAP basis	<u>\$ 78,670,730</u>	<u>\$ 79,061,133</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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Taxes, Interest and Lien Fees				
Current taxes	\$ 48,972,622	\$ 48,972,622	\$ 48,833,952	\$ (138,670)
Prior taxes	420,000	420,000	616,155	196,155
Interest and lien fees	246,000	246,000	332,378	86,378
Total taxes, interest and lien fees	49,638,622	49,638,622	49,782,485	143,863
Intergovernmental				
Education cost sharing	7,133,435	7,133,435	7,063,959	(69,476)
Transportation	58,451	58,451	56,623	(1,828)
Town aid roads	341,879	341,879	339,502	(2,377)
Local capital Improvement	123,000	213,270	-	(213,270)
Youth service bureau	27,215	27,215	27,266	51
Tax relief-telephone taxes	50,000	50,000	50,786	786
PILOT - State owned property	933,077	933,077	1,028,645	95,568
Pequot fund	333,245	333,245	333,126	(119)
PILOT - Hospital and Colleges	42,897	42,897	42,921	24
Tax relief for elderly	101,000	101,000	98,178	(2,822)
Tax relief for disabled	1,100	1,100	1,393	293
Civil Preparedness	40,000	44,968	46,335	1,367
Tax relief for veterans	24,000	24,000	21,620	(2,380)
State grant - DUI	44,963	69,963	60,759	(9,204)
Other grants	5,000	11,357	-	(11,357)
Total intergovernmental	9,259,262	9,385,857	9,171,113	(214,744)
Charges for Services				
Licenses and Permits				
Building permits	345,000	357,500	510,424	152,924
Beach and recreation town funds	140,750	140,750	149,477	8,727
ZBA and planning commission	6,500	6,500	8,019	1,519
Conveyance tax	230,000	230,000	273,913	43,913
Dog licenses	13,500	13,500	12,782	(718)
Town Clerk fees	150,000	150,000	138,658	(11,342)
Zoning commission - Maps and permits	25,000	25,000	66,960	41,960
Solid waste removal license	300	300	150	(150)
Shellfish permits	100	100	115	15
Wetland Fees	2,000	2,000	7,134	5,134

(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, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Charges for Services (Continued)				
Licenses and Permits (Continued)				
Pistol, Fire, & Loading	\$ 6,000	\$ 6,000	\$ 12,155	\$ 6,155
Mooring permits	6,500	6,500	7,705	1,205
Total licenses and permits	925,650	938,150	1,187,492	249,342
Fines and Forfeits				
Parking fees	10,000	10,000	9,009	(991)
Extra duty - police and fire	40,000	40,000	48,236	8,236
TC office fees	10,000	10,000	7,322	(2,678)
TC fish and game fees	450	450	414	(36)
Total fines and forfeits	60,450	60,450	64,981	4,531
Charges for Services				
Tuition - other districts	2,869,853	2,869,853	3,022,752	152,899
Rent - cini park	12,260	12,260	17,470	5,210
Debt payment - Salem	86,705	86,705	86,705	-
Tipping fees commercial	270,000	270,000	279,357	9,357
Transportation subsidy	43,000	43,000	46,049	3,049
Recycling - other	20,000	20,000	17,746	(2,254)
Recycling - newspaper/cardboard	15,000	15,000	3,197	(11,803)
MSW containers	2,500	2,500	5,115	2,615
Kiducation	-	-	273	273
Assessor	3,500	3,500	2,923	(577)
Aging	26,000	26,000	33,023	7,023
Landfill deposits	140,000	140,000	131,834	(8,166)
Financial department	75,000	75,000	69,093	(5,907)
Tax collector	700	700	702	2
Miscellaneous other	200	200	140	(60)
Selectman's office	-	-	51,040	51,040
Smith-Harris commission	5,500	5,500	5,740	240
Town miscellaneous	5,000	37,000	62,713	25,713
Water and sewer services	6,775	6,775	-	(6,775)
Total charges for services	3,581,993	3,613,993	3,835,872	221,879
Total charges for services	4,568,093	4,612,593	5,088,345	475,752
Income from Investments				
Interest income	35,000	35,000	35,827	827
Total revenues	63,500,977	63,672,072	64,077,770	405,698

(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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources				
Use of fund balance	\$ 750,000	\$ 896,000	\$ 146,000	\$ (750,000)
Transfers in	862,621	862,621	881,144	18,523
	<u>1,612,621</u>	<u>1,758,621</u>	<u>1,027,144</u>	<u>(731,477)</u>
Total revenues and other financing sources	<u>\$ 65,113,598</u>	<u>\$ 65,430,693</u>	<u>\$ 65,104,914</u>	<u>\$ (325,779)</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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government				
First Selectman	\$ 228,962	\$ 233,118	\$ 225,413	\$ 7,705
Assessor's office	201,441	203,258	198,132	5,126
Tax collector	172,938	169,353	164,101	5,252
Building official	181,623	196,000	182,507	13,493
Town engineer	256,758	261,211	260,961	250
Town clerk	181,086	187,648	183,831	3,817
Health department	131,866	131,866	131,866	-
Information Technology	117,934	119,232	113,827	5,405
Registrars	98,322	100,551	81,898	18,653
Judge of Probate	14,329	14,329	14,329	-
Maintenance of town buildings	712,883	712,883	707,265	5,618
General government and benefits	3,332,369	3,340,535	3,333,093	7,442
Community services	25,201	25,201	24,951	250
Zoning commission	88,159	90,003	89,815	188
Planning department	76,119	77,502	76,855	647
Finance department	267,253	270,085	268,235	1,850
Contingency funds	205,000	90,174	66,830	23,344
Board of finance	37,600	37,600	37,464	136
Board of assessment appeals	1,760	1,760	884	876
Zoning board of appeals	980	980	472	508
Inlands Wetlands Agency	20,524	20,524	17,243	3,281
Conservation of natural resources commission	1,900	1,900	1,117	783
Waterford/ East Lyme shellfish commission	2,500	2,500	2,500	-
Smith-Harris Commission	16,500	16,500	15,621	879
Town building committee	875	875	38	837
Harbor management commission	14,650	14,650	9,471	5,179
Total general government	6,389,532	6,320,238	6,208,719	111,519
Public Safety				
Police department	2,148,624	2,326,998	2,252,664	74,334
Niantic fire department	492,979	506,458	503,627	2,831
Flanders fire department	365,784	377,401	364,291	13,110
Emergency management	671,930	678,457	629,021	49,436
Animal Control	58,809	58,809	56,930	1,879
Total public safety	3,738,126	3,948,123	3,806,533	141,590
Public Works				
Highways and sanitation	3,781,698	3,876,702	3,767,781	108,921
Total public works	3,781,698	3,876,702	3,767,781	108,921

(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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Health and Welfare				
Commission on aging	\$ 254,221	\$ 255,666	\$ 252,943	\$ 2,723
Visiting nurses association	11,908	11,908	9,179	2,729
Total health and welfare	266,129	267,574	262,122	5,452
Board of Education	42,792,767	42,792,767	42,797,407	(4,640)
Culture and Recreation				
East Lyme public library	1,036,181	1,036,181	1,036,181	-
Parks and recreation	915,330	915,330	890,273	25,057
Total culture and recreation	1,951,511	1,951,511	1,926,454	25,057
Capital Outlay				
Town - Capital improvement program	1,088,686	1,119,755	1,078,109	41,646
Town - Special Appropriations	-	170,325	169,540	785
Total capital outlay	1,088,686	1,290,080	1,247,649	42,431
Debt Service				
Redemption of debt - principal	3,709,912	3,669,912	3,617,920	51,992
Interest payments	1,395,237	1,322,855	1,223,212	99,643
Total debt service	5,105,149	4,992,767	4,841,132	151,635
Total expenditures and encumbrances	\$ 65,113,598	\$ 65,439,762	\$ 64,857,797	\$ 581,965

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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, 2015

	Special Revenue				Permanent	Total Nonmajor Funds
	Water Department	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Fund	
Assets						
Cash	\$ 952,791	\$ 41,499	\$ 106,824	\$ -	\$ 911	\$ 1,102,025
Intergovernmental Receivables	2,123	41,069	62,822	-	-	106,014
Assessments/user Charges	690,014	-	-	-	-	690,014
Inventory	32,200	-	-	-	-	32,200
Due from Other Funds	16,071	-	-	14,673	-	30,744
Total assets	\$ 1,693,199	\$ 82,568	\$ 169,646	\$ 14,673	\$ 911	\$ 1,960,997
Liabilities						
Accounts payable	\$ 455,586	\$ 198,207	\$ 38,642	\$ -	\$ -	\$ 692,435
Due to other funds	136,054	-	73,939	-	911	210,904
Unearned revenue	-	-	57,065	-	-	57,065
Total liabilities	591,640	198,207	169,646	-	911	960,404
Deferred Inflows of Resources						
Unavailable revenues	496,067	-	-	-	-	496,067
Total deferred inflows of resources	496,067	-	-	-	-	496,067
Fund Balances (Deficits)						
Nonspendable	32,200	-	-	-	-	32,200
Restricted	-	-	-	14,673	-	14,673
Committed	573,292	-	-	-	-	573,292
Unassigned	-	(115,639)	-	-	-	(115,639)
Total fund balances (deficits)	605,492	(115,639)	-	14,673	-	504,526
Total liabilities, deferred inflows of resources and fund balances	\$ 1,693,199	\$ 82,568	\$ 169,646	\$ 14,673	\$ 911	\$ 1,960,997

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, 2015

	Special Revenue				Permanent	Total Nonmajor Funds
	Water Department	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Funds	
Revenues						
Intergovernmental	\$ -	\$ 297,371	\$ 886,496	\$ 5,000	\$ -	\$ 1,188,867
Charges for services	2,530,617	604,555	-	7,633	-	3,142,805
Interest income	3	-	-	-	-	3
Total revenues	2,530,620	901,926	886,496	12,633	-	4,331,675
Expenditures						
Current:						
Culture and recreation	-	-	-	5,000	-	5,000
Public works	1,995,381	-	-	-	-	1,995,381
Education	-	891,215	886,496	-	-	1,777,711
Debt service	445,963	-	-	-	-	445,963
Total expenditures	2,441,344	891,215	886,496	5,000	-	4,224,055
Excess (deficiency) of revenues over (under) expenditures	89,276	10,711	-	7,633	-	107,620
Other Financing Sources (Uses)						
Transfers (out)	(46,946)	-	-	-	-	(46,946)
Total other financing sources (uses)	(46,946)	-	-	-	-	(46,946)
Change in fund balances (deficits)	42,330	10,711	-	7,633	-	60,674
Fund Balances (Deficits)						
Beginning	563,162	(126,350)	-	7,040	-	443,852
Ending	\$ 605,492	\$ (115,639)	\$ -	\$ 14,673	\$ -	\$ 504,526

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, 2015

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
Assets			
Cash	\$ 81,184	\$ 3,115	\$ 84,299
Total assets	81,184	3,115	84,299
Net Position Held in Trust for Other Purposes	\$ 81,184	\$ 3,115	\$ 84,299

Town of East Lyme, Connecticut

Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2015

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
Additions			
Contributions			
Private	\$ 53,350	\$ -	\$ 53,350
Total contributions	53,350	-	53,350
Investments			
Interest income	36	2	38
Total investment income	36	2	38
Deductions			
Expense	3,489	-	3,489
Changes in net position	49,897	2	49,899
Net Position, Beginning	31,287	3,113	34,400
Net Position, Ending	<u>\$ 81,184</u>	<u>\$ 3,115</u>	<u>\$ 84,299</u>

Town of East Lyme, Connecticut

Combining Statement of Changes in Assets and Liabilities -
 Agency Funds
 June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets				
Cash and Cash Equivalents				
Student activity fund	\$ 620,672	\$ 1,002,556	\$ 1,001,651	\$ 621,577
Performance bonds	1,259,731	1,154,442	1,205,331	1,208,842
Total assets	<u>1,880,403</u>	<u>2,156,998</u>	<u>2,206,982</u>	<u>1,830,419</u>
Liabilities				
Student Activity Fund	\$ 620,672	\$ 1,002,556	\$ 1,001,651	\$ 621,577
Performance Bonds	1,259,731	1,154,442	1,205,331	1,208,842
Total liabilities	<u>\$ 1,880,403</u>	<u>\$ 2,156,998</u>	<u>\$ 2,206,982</u>	<u>\$ 1,830,419</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, 2015**

Governmental Funds Capital Assets	
Land	\$ 13,588,047
Construction in progress	8,653,458
Buildings and improvements	125,332,053
Machinery and equipment	7,449,165
Vehicles	8,373,885
Infrastructure	22,325,158
Water distribution system	<u>29,418,666</u>
Total governmental funds capital assets	<u><u>\$ 215,140,432</u></u>

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Other Schedules

Town of East Lyme, Connecticut

Balance Sheet - By Account - General Fund
June 30, 2015

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Receivables	Totals
Assets						
Cash	\$ 3,326,215	\$ 597,790	\$ -	\$ -	\$ -	\$ 3,924,005
Investments	3,215,161	-	-	-	-	3,215,161
Intergovernmental Receivables	54,829	-	-	-	-	54,829
Property Taxes	2,038,647	-	-	-	-	2,038,647
Assessments/User Charges	52,577	-	-	-	-	52,577
Other	121,757	-	14,844	-	-	136,601
Due from Other Funds	606,855	-	1,213	158,344	(159,557)	606,855
Total assets	\$ 9,416,041	\$ 597,790	\$ 16,057	\$ 158,344	\$ (159,557)	\$ 10,028,675
Liabilities						
Accounts payable	\$ 1,942,325	\$ -	\$ 497	\$ 13,249	\$ -	\$ 1,956,071
Due to other funds	232,616	-	-	6,324	(159,557)	79,383
Total liabilities	2,174,941	-	497	19,573	(159,557)	2,035,454
Deferred Inflows of Resources						
Unavailable revenues	1,972,851	-	-	-	-	1,972,851
Total deferred inflows of resources	1,972,851	-	-	-	-	1,972,851
Fund Balances						
Assigned	84,873	597,790	15,560	138,771	-	836,994
Unassigned	5,183,376	-	-	-	-	5,183,376
Total fund balances	5,268,249	597,790	15,560	138,771	-	6,020,370
Total liabilities, deferred inflows of resources and fund balances	\$ 9,416,041	\$ 597,790	\$ 16,057	\$ 158,344	\$ (159,557)	\$ 10,028,675

Town of East Lyme, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account -
 General Fund
 For the Year Ended June 30, 2015

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Transfers	Totals
Revenues						
Property taxes	49,782,485	\$ -	\$ -	\$ -	\$ -	\$ 49,782,485
Intergovernmental	14,231,113	-	-	-	-	14,231,113
Charges for services	5,241,825	1,345,656	37,914	424,994	-	7,050,389
Interest income	35,827	786	-	-	-	36,613
Total revenues	69,291,250	1,346,442	37,914	424,994	-	71,100,600
Expenditures						
Current:						
Culture and recreation	1,926,454	-	-	406,543	-	2,332,997
Public works	3,894,401	-	-	-	-	3,894,401
Education	48,351,639	1,357,716	-	-	-	49,709,355
General government	6,216,266	-	23,444	-	-	6,239,710
Public safety	3,806,534	-	1,147	-	-	3,807,681
Health and welfare	262,123	-	-	-	-	262,123
Capital outlay	1,940,082	-	-	-	-	1,940,082
Debt service:						
Principal	3,617,920	-	-	-	-	3,617,920
Interest	1,351,155	-	-	-	-	1,351,155
Total expenditures	71,366,574	1,357,716	24,591	406,543	-	73,155,424
Excess (deficiency) of revenues over (under) expenditures	(2,075,324)	(11,274)	13,323	18,451	-	(2,054,824)
Other Financing Sources (Uses)						
Transfers in	881,144	-	-	-	(28,680)	852,464
Transfers (out)	(189,000)	-	(8,680)	(20,000)	28,680	(189,000)
Issuance of capital lease	873,014	-	-	-	-	873,014
Issuance of refunding bonds	5,580,000	-	-	-	-	5,580,000
Cash to escrow	(5,716,709)	-	-	-	-	(5,716,709)
Bond premium	264,652	-	-	-	-	264,652
Total other financing sources (uses)	1,693,101	-	(8,680)	(20,000)	-	1,664,421
Change in fund balances	(382,223)	(11,274)	4,643	(1,549)	-	(390,403)
Fund Balances, beginning	5,650,472	609,064	10,917	140,320	-	6,410,773
Fund Balances, ending	\$ 5,268,249	\$ 597,790	\$ 15,560	\$ 138,771	\$ -	\$ 6,020,370

Town of East Lyme, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2015

Grand List Year	Balance Uncollected July 1, 2014	Current Levy	Lawful Corrections			Transfers to Suspense	Balance to be Collected	Collections				Balance Uncollected June 30, 2015
			Additions	Deletions				Taxes	Interest and Lien Fees	Total	Refunds	
1999	\$ 6,714	\$ -	\$ -	\$ -	\$ -	\$ 6,714	\$ -	\$ -	\$ -	\$ -	\$ 6,714	
2000	3,213	-	-	-	-	3,213	-	-	-	155	3,368	
2001	3,095	-	-	-	-	3,095	185	396	581	1,142	4,052	
2002	5,255	-	-	-	-	5,255	103	206	309	133	5,285	
2003	3,918	-	-	-	83	3,835	947	1,753	2,700	1,669	4,557	
2004	4,698	-	-	-	1,019	3,679	855	1,437	2,292	2,676	5,500	
2005	17,503	-	-	-	2,685	14,818	769	1,166	1,935	1,040	15,089	
2006	21,749	-	-	-	3,077	18,672	719	1,776	2,495	2,321	20,274	
2007	32,822	-	-	-	3,944	28,878	3,042	3,477	6,519	1,567	27,403	
2008	60,019	-	-	-	5,621	54,398	15,918	9,700	25,618	1,409	39,889	
2009	121,193	-	-	105	6,100	114,988	36,905	22,601	59,506	(518)	77,565	
2010	206,270	-	-	171	4,464	201,635	65,451	34,184	99,635	318	136,502	
2011	424,858	-	5,202	255	3,649	426,156	133,688	53,372	187,060	(95,550)	196,918	
2012	783,442	-	6,665	7,635	2,391	780,081	357,443	83,355	440,798	(75,764)	346,874	
2013	-	49,707,556	29,999	193,010	1,755	49,542,790	48,824,328	117,926	48,942,254	17,976	736,438	
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	\$ 1,694,749	\$ 49,707,556	\$ 41,866	\$ 201,176	\$ 34,788	\$ 51,208,207	\$ 49,440,353	\$ 331,349	\$ 49,771,702	\$ (141,426)	\$ 1,626,428	

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