

TOWN OF EAST LYME, CONNECTICUT

FINANCIAL REPORT

June 30, 2013

TOWN OF EAST LYME, CONNECTICUT

FINANCIAL REPORT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis - unaudited	3-11

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 - Governmental Funds	16
Reconciliation of the Statements 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	24-55

REQUIRED SUPPLEMENTARY INFORMATION - unaudited

Schedule of Funding Progress - Pension.....	57
Schedule of Employer Contributions - Pension.....	57
Schedule of Funding Progress - OPEB.....	57
Schedule of Employer Contributions - OPEB.....	57
Statement of Revenues and Expenditures – Budgetary Basis – Budget and Actual – General Fund.....	58
Note to Required Supplementary Information.....	59-60

TOWN OF EAST LYME, CONNECTICUT

FINANCIAL REPORT

TABLE OF CONTENTS

Page

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS AND OTHER SCHEDULES**

GENERAL FUND

General Fund Revenue and Other Financing Sources - Budgetary Basis - Budget and Actual.....	61-63
General Fund Expenditures and Other Financing Uses - Budgetary Basis - Budget and Actual.....	64-65

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet.....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits).....	68

FIDUCIARY FUNDS

Combining Statement of Net Position – Fiduciary Funds	69
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds	70
Combining Statement of Changes in Assets and Liabilities – Agency Funds	71

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

Schedule by Category	73
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OTHER SCHEDULES

Balance Sheet – By Account – General Fund	75
Schedule of Revenues, Expenditures and Changes in Fund Balance – By Account – General Fund.....	76
Schedule of Property Taxes Levied, Collected and Outstanding	77



INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of East Lyme, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of East Lyme, Connecticut (the "Town") as of and for the fiscal year ended June 30, 2013, and the related notes thereto which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, the schedules of funding progress and employer contributions and budgetary comparison information 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 December 27, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

McGladrey LLP

New Haven, Connecticut
December 27, 2013

Town of East Lyme, Connecticut
Management's Discussion and Analysis - unaudited
June 30, 2013

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, 2013.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the fiscal year by \$122.6 million (*net position*).

The Town's total net position decreased by \$0.06 million.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11.0 million, a decrease of \$1.6 million in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.9 million or 7.9% of total general fund budgeted expenditures and transfers out of \$61.8 million.

The Town's total bond/note debt increased by \$5.1 million during the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The Town maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, bonded projects fund and the sewer assessment fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

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

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

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

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide benefits to its employees, and General Fund budgetary comparison information.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. The Town's assets exceeded liabilities by \$122.6 million at the close of the fiscal year.

By far the largest portion of the Town's net position (86.0%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that 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, 2013 and 2012

	June 30, 2013			June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 30,620	\$ 269	\$ 30,889	\$ 28,036	\$ 381	\$ 28,418
Capital assets	106,606	48,430	155,036	105,468	47,992	153,461
Total Assets	137,226	48,699	185,925	133,504	48,374	181,878
Other liabilities	13,822	109	13,931	9,128	34	9,163
Long-term liabilities	49,361		49,361	50,023	-	50,023
Total Liabilities	63,183	109	63,292	59,151	34	59,186
Net Position:						
Net investment in capital assets	56,977	48,430	105,407	57,473	47,992	105,465
Restricted	8		8	3	-	-
Unrestricted	17,058	160	17,218	16,877	347	17,224
Total Net Position	\$ 74,043	\$ 48,590	\$ 122,633	\$ 74,353	\$ 48,339	\$ 122,693

TOWN OF EAST LYME, CONNECTICUT
SUMMARY STATEMENT OF ACTIVITIES
JUNE 30, 2013 and 2012

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charge for services	\$ 10,555	\$ 1,768	\$ 12,324	\$ 8,423	\$ 1,566	\$ 9,989
Operating grants and contributions	13,118	-	13,118	12,895	-	12,895
Capital grants and contributions	543	-	543	577	-	577
General Revenues:						
Property Taxes	46,732	-	46,732	46,573	-	46,573
Grants, contributions not restricted to specific programs	1,304	-	1,304	1,285	-	1,285
Miscellaneous	1,022	-	1,022	-	-	-
Investment income	52	-	52	97	-	97
Total Revenues	\$ 73,327	\$ 1,768	\$ 75,095	\$ 69,851	\$ 1,566	\$ 71,417
Expenses:						
Program Activities						
Primary Government:						
General government	\$ 7,422	\$ -	\$ 7,422	\$ 7,604	\$ -	\$ 7,604
Public safety	3,865	-	3,865	3,633	-	3,633
Public works	7,242	-	7,242	6,120	-	6,120
Health and welfare	464	-	464	284	-	284
Culture and recreation	2,181	-	2,181	2,044	-	2,044
Education	50,599	-	50,599	49,301	-	49,301
Interest expense	950	-	950	1,456	-	1,456
Business-Type Activities:						
Sewer department	-	2,828	2,828	-	2,655	2,655
Total Expenses	72,723	2,828	75,551	70,442	2,655	73,097
Capital contribution	-	397	397	-	-	-
Transfers in (out)	(914)	914	-	(148)	148	-
Change in net assets	(310)	251	(59)	(739)	(941)	(1,680)
Net Position - beginning	74,353	48,339	122,692	75,092	49,280	124,372
Net Position - ending	\$ 74,043	\$ 48,590	\$ 122,633	\$ 74,353	\$ 48,339	\$ 122,692

Governmental Activities

For governmental activities, 63.3% of the revenues were derived from property taxes, followed by 20.3% from intergovernmental revenues and 14.3% for charges for services.

Major revenue factors included:

- There was an increase of \$2.3 million in charges for services.
- Insurance reimbursement of \$1.5 million for the boardwalk.

For governmental activities, approximately 69.6% of the Town's expenses relate to education, 10.2% relate to general government, 10.0% relate to public works operations, 5.3% to public safety and the remaining 4.9% relate to interest expense, health and welfare, social services, recreation and miscellaneous.

Major expense factors include:

- FEMA related expenses of \$0.7 million.
- Education expenses increase of \$1.3 million.

Business-Type Activities

Business-type activities (Sewer Department) increased the Town's net position by \$.3 million, or 0.1%. This increase was due primarily due to capital asset additions.

Financial Analysis of the Fund Financial Statements

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4.9 million, while total fund balance reached \$6.3 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.9% of total general fund budgeted expenditures.

The fund balance for the Town's general fund increased by approximately \$0.3 million during the current fiscal year. A key factor in this is as follows:

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

The Sewer Assessments fund balance decreased \$.7 million as a result of the transfer out to the general fund of \$1.9 million for the purpose of debt service.

The Bonded Project Fund increased \$2.0 million due primarily to the completion of various capital projects and bond proceeds.

The Capital Nonrecurring Fund decreased \$3.1 million due primarily to the completion of various capital projects and the repayment of BANS.

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

Net Position of the Sewer Department at the end of the year was \$48.6 million, an increase of \$.3 million over the prior year. Unrestricted net position for the Sewer Department reflected \$.2 million of total Net Position.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$.26 million.

During the year, actual revenues, including transfers in, were \$61.9 million, which was less than budgetary estimates by \$0.03 million. Major contributors were:

Although we continue to experience changes in the economy, we proposed the 2012-13 fiscal year budget with more conservative estimates based upon trends of previous years in taxes, local license and permit fees, lower charges for services and interest rates.

- \$.4 million less due to unused fund balance.
- \$.1 million lower than estimated tax collections due to a continuing slow economy.
- \$.08 million more combined net effect for various local fee estimates, mainly building permits.
- \$.1 million greater than estimated due to various intergovernmental grants.

General Fund Budgetary Highlights

Expenditures

Special appropriations during the year totaled \$269,664 as follows:

- \$38 thousand for Emergency Service NSEP Various Equipment Grant
- \$69 thousand for DUI Police overtime grant
- \$29 thousand for LoCIP Grant
- \$133 thousand for Carry-over Purchase Orders

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to \$155.5 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 \$2.1 million, an increase of 0.46%.

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

- Various town facility improvements, including East Lyme High School athletic fields.
- Road reconstruction and improvement projects.
- The fourth year implementation of a vehicle acquisition program in accordance with a fleet plan including dump trucks, Police cruisers an automated trash/recycling truck and pick-up trucks.
- Construction of a new Restroom/Storage Facility at McCooks Park.
- Acquisition of 82 Plants Dam Road (Samuel Smith House) as an addition to the towns Historic Properties inventory.
- Capitalization of the additions to the water and sewer distribution systems.

**CAPITAL ASSETS, NET OF DEPRECIATION
JUNE 30, 2013 AND 2012**

	June 30, 2013			June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 13,308	\$ 608	\$ 13,916	\$ 13,308	\$ 608	\$ 13,916
Construction in progress	4,500	15	4,515	4,495	15	4,510
Water and Sewer distribution systems	10,598	44,391	54,990	11,085	43,861	54,946
Building and improvements	67,037	3,349	70,387	65,561	3,441	69,002
Vehicles	2,642	-	2,642	2,146	-	2,146
Machinery and equipment	4,157	66	4,223	4,107	67	4,174
Infrastructure	4,364	-	4,364	4,766	-	4,766
Total	\$ 106,606	\$ 48,430	\$ 155,036	\$ 105,468	\$ 47,992	\$ 153,461

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 \$44.9 million, all of which is backed by the full faith and credit of the Town government.

**CHANGES IN TOWN DEBT
JUNE 30, 2013 AND 2012**

	June 30, 2013			June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 44,938	\$ -	\$ 44,938	\$ 39,844	\$ -	\$ 39,844

The Town's total bonded debt increased by \$5.1 million during the 2013 fiscal year due to the net impact of scheduled pay down of debt during the fiscal year and permanently bonding land acquisition, capital improvement program projects and road improvements. The Town received a Moody's Investors Service rating of Aaa on the most recent bond issue. Additional information can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2014 budget tax rates, the primary factor being the economy. Unemployment in the Town is at 7.7% and 8% for 2012 and 2011. This compares with the State's average unemployment rate of 8.3% and 8.8% and is .9% lower than the New London County average rate of 8.6%.

Revenues

The Town did not expect increases in State funding in a number of areas as detailed below and, thus, we were compelled to offset no growth not only with expenditure reductions but with an overall increase in taxes of \$1.2 million. There was a modest increase in the grand list of 10/1/2012 of \$3 million or .001%. Significant revenue issues were as follows:

- Continued flat and declining State grant funding at levels without long-term inflationary growth.
- We maintained various local fees collected based upon trend analysis in the planning and zoning departments and decreased conveyance taxes for the first time in several years. The decrease in conveyance taxes was due to foreclosure sales which these taxes are not collected. We increased building fees due to large projects finally coming to fruition.
- An increase of \$132 thousand for out-of-district tuition due to new special education programs that keep East Lyme Students in district and bringing other students in district. This is the second consecutive year we were able to make such an increase.
- An increase in appropriation of fund balance of \$400 thousand.
- A decrease of \$37 thousand in tipping fees due to the increase of residents in recycling.
- A decrease in investment earnings of \$7 thousand due to continuing decline in interest rates.
- A decrease of \$439 thousand, operating transfer-in from Sewer Assessment Fund due to retired debt service.

Expenditures

The average wage increases for town employees was 2.5%, with increases allocated to beginning and mid-year year as a budget savings measure. The Board of Education adopted the same practice for two of its groups at 2.5% with beginning and mid-year as a budget savings measure. Administrators wage increases were 1.25% and teachers up to 2.89%.

The Board of Education requested a budget increase of \$1.4 million; the Board of Finance reduced the bottom line by \$.650 million to \$41.9 million. The Board of Finance was able to make this reduction working with the Board of Education and with the final Health Insurance renewal information. The Town has no authority to direct where those cuts will come, only the Board of Education can decide what line items will be altered.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year. During the current fiscal year, unassigned fund balance in the general fund increased to \$4.9 million. The Town did appropriate \$750,000 of fund balance for spending in the 2014 fiscal year budget.

Actual expenditures and transfers out on a budgetary basis totaled \$61.8 million.

Overall, the fiscal year 2013 – 2014 budget was increased \$.957 million or 1.54%. Town government increased \$215 thousand (1.4%) over fiscal year 2013, debt service decreased \$176 thousand (3.6%), and the Board of Education increased \$727 thousand (1.8%) from the prior year. Capital improvement expenditures were increased \$191 thousand (24%).

The following factors played a role in our setting the budget for fiscal year 2013 – 2014 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 2014 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 2012/13 level of spending. Increases in operating costs are primarily due to health insurance premiums, contract issues, state mandates and the Capital Improvement Program.
- The Town of East Lyme's 2013/2014 budget totals \$63.2 million, which represents a 1.54% increase in expenditures from the fiscal year 2013 adopted budget. The Town's mill rate increased from 22.78 to 23.349 a .569 or a 2% increase. This represents a fiscally conservative and prudent approach to developing a Town-wide spending plan for the fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, 108 Pennsylvania Avenue, Niantic, CT 06357.

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Basic Financial Statements

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Type Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,155,879	\$ 507,548	\$ 10,663,427
Investments	2,506,524	-	2,506,524
Receivables:			
Property taxes, net of allowance for collection losses	1,787,056	-	1,787,056
Assessments/use charges	6,510,106	398,855	6,908,961
Intergovernmental	1,355,840	-	1,355,840
Internal balances	680,384	(680,384)	-
Bond issue costs	491,141	-	491,141
Net pension asset	34,185	-	34,185
Other assets	151,804	42,897	194,701
Restricted cash	6,947,527	-	6,947,527
Capital assets, not being depreciated	17,807,950	623,015	18,430,965
Capital assets, net of accumulated depreciation	88,798,306	47,806,764	136,605,070
Total assets	137,226,702	48,698,695	185,925,397
Liabilities			
Accounts payable and accruals	3,003,353	104,710	3,108,063
Accrued interest payable	820,630	-	820,630
Bond anticipation notes payable	4,130,000	-	4,130,000
Meter deposits	-	3,865	3,865
Unearned revenue	505,292	-	505,292
Long-term liabilities:			
Due within one year	5,363,172	-	5,363,172
Due in more than one year	49,360,760	-	49,360,760
Total liabilities	63,183,207	108,575	63,291,782
Net Position			
Net Investment in capital assets	56,977,483	48,429,779	105,407,262
Restricted:			
Culture and recreation	6,679	-	6,679
Trust purposes:			
Expendable	1	-	1
Nonexpendable	910	-	910
Unrestricted	17,058,422	160,341	17,218,763
Total net position	\$ 74,043,495	\$ 48,590,120	\$ 122,633,615

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,421,811	\$ 977,541	\$ -	\$ -	\$ (6,444,270)	\$ -	\$ (6,444,270)
Public safety	3,865,409	46,777	231,165	-	(3,587,467)	-	(3,587,467)
Public works	7,242,023	5,445,961	681,192	543,008	(571,862)	-	(571,862)
Health and welfare	464,232	-	27,085	-	(437,147)	-	(437,147)
Culture and recreation	2,181,239	535,741	29,318	-	(1,616,180)	-	(1,616,180)
Education	50,598,636	3,549,108	12,149,360	-	(34,900,168)	-	(34,900,168)
Interest expense	949,611	-	-	-	(949,611)	-	(949,611)
Total governmental activities	72,722,961	10,555,128	13,118,120	543,008	(48,506,705)	-	(48,506,705)
Business-type activities:							
Sewer Department	2,828,426	1,768,449	-	-	-	(1,059,977)	(1,059,977)
Total business-type activities	2,828,426	1,768,449	-	-	-	(1,059,977)	(1,059,977)
Total primary government	\$ 75,551,387	\$ 12,323,577	\$ 13,118,120	\$ 543,008	(48,506,705)	(1,059,977)	(49,566,682)
		General revenues:					
					46,732,208	-	46,732,208
					1,303,771	-	1,303,771
					52,153		52,153
					1,022,352	397,179	1,419,531
					(913,512)	913,512	-
					<u>48,196,972</u>	<u>1,310,691</u>	<u>49,507,663</u>
					(309,733)	250,714	(59,019)
					<u>74,353,228</u>	<u>48,339,406</u>	<u>122,692,634</u>
					<u>\$ 74,043,495</u>	<u>\$ 48,590,120</u>	<u>\$ 122,633,615</u>

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

TOWN OF EAST LYME, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	Major Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund		
Assets						
Cash and cash equivalents	\$ 5,144,196	\$ 514,582	\$ 5,881,422	\$ 1,066,105	\$ 1,562,698	\$ 14,169,003
Investments	2,506,524	-	-	-	-	2,506,524
Receivables (net of allowances for collection losses):						
Property taxes	1,787,056	-	-	-	-	1,787,056
Assessments/use charges	80,720	5,657,910	-	-	650,648	6,389,278
Intergovernmental	651,588	-	234,097	348,217	121,938	1,355,840
Advances to other funds	-	635,927	-	-	-	635,927
Due from other funds	126,011	728,218	126,580	349,247	13,341	1,343,397
Other	113,325	8,579	-	-	29,900	151,804
Total assets	\$ 10,409,420	\$ 7,545,216	\$ 6,242,099	\$ 1,763,569	\$ 2,378,525	\$ 28,338,829
Liabilities						
Accounts payable and accruals	\$ 1,685,455	\$ 1,661	\$ 54,002	\$ 9,802	\$ 799,722	\$ 2,550,642
Due to other funds	48,327	31,820	349,933	-	293,793	723,873
Unearned revenue	100,072	-	-	-	405,220	505,292
Deferred revenue	2,325,168	5,648,626	234,097	97,496	526,967	8,832,354
BANS	-	-	680,000	3,450,000	-	4,130,000
Advances from other funds	-	-	635,927	-	-	635,927
Total liabilities	4,159,022	5,682,107	1,953,959	3,557,298	2,025,702	17,378,088
Fund balances						
Nonspendable	-	635,927	-	-	30,810	666,737
Restricted	-	-	4,288,140	-	6,680	4,294,820
Committed	-	1,227,182	-	-	457,210	1,684,392
Assigned	1,325,242	-	-	-	-	1,325,242
Unassigned	4,925,156	-	-	(1,793,729)	(141,877)	2,989,550
Total fund balances	6,250,398	1,863,109	4,288,140	(1,793,729)	352,823	10,960,741
Total liabilities and fund balances	\$ 10,409,420	\$ 7,545,216	\$ 6,242,099	\$ 1,763,569	\$ 2,378,525	

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

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the Town as a whole.	106,606,256
Deferred revenues are not available and therefore not recognized in the funds.	8,832,354
Bond issue costs	491,141
Net pension asset	34,185
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(54,723,932)
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,663,380
Accrued interest payable not recorded in the funds.	(820,630)

Net position of governmental activities

\$ 74,043,495

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

	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	\$ 46,487,710	\$ -	\$ -	\$ -	\$ -	\$ 46,487,710
Intergovernmental	13,148,147	-	311,504	284,036	857,813	14,601,500
Other revenues	-	-	1,511,178	-	-	1,511,178
Charges for services	6,481,284	1,351,669	-	224,158	2,878,029	10,935,140
Investment income	38,274	2,605	8,043	3,201	30	52,153
Total revenues	66,155,415	1,354,274	1,830,725	511,395	3,735,872	73,587,681
EXPENDITURES						
Current:						
General government	5,792,532	-	-	-	-	5,792,532
Public safety	3,511,558	-	-	-	-	3,511,558
Public works	3,547,678	94,045	-	-	1,812,854	5,454,577
Health and welfare	250,214	-	-	-	-	250,214
Culture and recreation	2,130,350	-	-	-	4,000	2,134,350
Education	46,632,038	-	-	-	1,515,416	48,147,454
Capital outlay	615,732	-	548,987	5,978,197	-	7,142,916
Debt service:						
Principal retirements	3,663,971	-	750,000	6,070,000	321,270	10,805,241
Interest and other charges	1,210,749	-	-	46,662	158,128	1,415,539
Total expenditures	67,354,822	94,045	1,298,987	12,094,859	3,811,668	84,654,381
Revenues over (under) expenditures	(1,199,407)	1,260,229	531,738	(11,583,464)	(75,796)	(11,066,700)
OTHER FINANCING SOURCES (USES)						
Capital leases	-	-	-	1,196,862	-	1,196,862
Transfers in	1,687,976	-	-	199,195	1,773	1,888,944
Transfers (out)	(199,195)	(1,923,261)	(680,000)	-	-	(2,802,456)
Bond premium	-	-	9,218	104,464	-	113,682
Issuance of bonds	-	-	2,110,516	6,970,000	-	9,080,516
Total other financing sources (uses)	1,488,781	(1,923,261)	1,439,734	8,470,521	1,773	9,477,548
Change in fund balances	289,374	(663,032)	1,971,472	(3,112,943)	(74,023)	(1,589,152)
FUND BALANCES, beginning	5,961,024	2,526,141	2,316,668	1,319,214	426,846	12,549,893
FUND BALANCES, ending	\$ 6,250,398	\$ 1,863,109	\$ 4,288,140	\$(1,793,729)	\$ 352,823	\$ 10,960,741

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

TOWN OF EAST LYME, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Net change in fund balances – total governmental funds \$ (1,589,152)

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. 1,626,974

Loss on impairment of capital assets (488,826)

Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 227,885

Change in net pension asset (855)

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 906,284

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. (758,341)

The net revenue of certain activities of internal service funds is reported with governmental activities. (233,702)

Change in net position of governmental activities \$ (309,733)

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2013

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 507,548	\$ 2,934,403
Receivables:		
User charges	398,855	120,828
Other	31,897	-
Due from other funds	106,486	60,860
Inventory	11,000	-
Total current assets	<u>1,055,786</u>	<u>3,116,091</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	48,429,779	-
Total noncurrent assets	<u>48,429,779</u>	<u>-</u>
Total assets	<u>49,485,565</u>	<u>3,116,091</u>
LIABILITIES		
Current liabilities:		
Accounts payable	75,491	-
Meter deposits	3,865	-
Claims payable	-	452,711
Due to other funds	786,870	-
Compensated absences	29,219	-
Total liabilities	<u>895,445</u>	<u>452,711</u>
NET POSITION		
Net Investment in capital assets	48,429,779	-
Unrestricted	160,341	2,663,380
Total net position	<u>\$ 48,590,120</u>	<u>\$ 2,663,380</u>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 FUND NET POSITION - PROPRIETARY FUNDS
 For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
OPERATING REVENUES		
Charges for services and other	\$ 1,768,449	\$ 7,174,752
Total operating revenues	<u>1,768,449</u>	<u>7,174,752</u>
OPERATING EXPENSES		
General and administrative	75,909	783,329
Labor and maintenance	1,900,372	-
Claims	-	6,625,286
Depreciation	852,145	-
Total operating expenses	<u>2,828,426</u>	<u>7,408,615</u>
Operating (loss)	<u>(1,059,977)</u>	<u>(233,863)</u>
NONOPERATING REVENUES		
Investment income	-	161
Total nonoperating revenues	<u>-</u>	<u>161</u>
Net (loss) before transfers	<u>(1,059,977)</u>	<u>(233,702)</u>
TRANSFERS AND OTHER FINANCING SOURCES		
Capital contribution	397,179	-
Transfers in	913,512	-
	<u>1,310,691</u>	
Change in net position	250,714	(233,702)
NET POSITION, beginning	<u>48,339,406</u>	<u>2,897,082</u>
NET POSITION, ending	<u>\$ 48,590,120</u>	<u>\$ 2,663,380</u>

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 1,685,065	\$ -
Payments to suppliers	(1,167,325)	-
Payment to employees	(557,093)	-
Receipts from premiums	-	7,053,924
Cash paid for claims and administration	-	(7,115,959)
Net cash used in operating activities	<u>(39,353)</u>	<u>(62,035)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,289,433)	-
Net cash used in capital and related financing activities	<u>(1,289,433)</u>	<u>-</u>
Cash Flows From Noncapital Financing Activities		
Transfers in	913,512	-
Net cash provided by noncapital financing activities	<u>913,512</u>	<u>-</u>
Cash Flows Provided by Investing Activities		
Capital contribution	397,179	-
Investment income	-	161
Net cash provided by investing activities	<u>397,179</u>	<u>161</u>
Net decrease in cash and cash equivalents	(18,095)	(61,874)
Cash and Cash Equivalents		
Beginning	<u>525,643</u>	<u>2,996,277</u>
Ending	<u>\$ 507,548</u>	<u>\$ 2,934,403</u>

(Continued)

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued
 For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (1,059,977)	\$ (233,863)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	852,145	-
(Increase) decrease in:		
Inventory	4,670	-
Receivables	(83,385)	(120,828)
Due from other funds	(88,846)	239,537
Increase in:		
Accounts and other payables	74,092	53,119
Due to other funds	261,948	-
Net cash used in operating activities	\$ (39,353)	\$ (62,035)

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

	Pension Trust Fund	Private Purpose Trusts	Agency Funds
ASSETS			
Cash	\$ -	\$ 34,264	\$ 1,883,217
Investments	7,511,510	-	-
Accounts receivable	37,059	-	-
Total assets	7,548,569	34,264	1,883,217
LIABILITIES			
Payable to others	-	-	1,244,119
Due to student groups	-	-	639,098
Total liabilities	-	-	1,883,217
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES			
	\$ 7,548,569	\$ 34,264	\$ -

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

TOWN OF EAST LYME, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

For the Year Ended June 30, 2013

	Pension Trust Fund	Private Purpose Trusts
ADDITIONS		
Contributions:		
Employer	\$ 1,014,936	\$ -
Plan members	221,539	-
Other	-	2,825
Total contributions	1,236,475	2,825
Investment income:		
Net appreciation in fair value of investments	1,390,307	-
Interest income	-	44
Total investment income	1,390,307	44
Total additions	2,626,782	2,869
DEDUCTIONS		
Benefits	351,658	-
Administration	51,536	-
Other	-	4,745
Total deductions	403,194	4,745
Change in net position	2,223,588	(1,876)
NET POSITION , beginning	12,225,751	36,140
NET POSITION , ending	\$ 14,449,339	\$ 34,264

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

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

The Town adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

The Town also adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that are included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB 62 does not have any 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.

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.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

Governmental Funds

The Town reports the following major governmental funds:

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

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

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

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

The Town reports the following major proprietary fund:

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

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.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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

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

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

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

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

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

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

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

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

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Property Taxes

Property taxes are assessed as of October 1, and are levied for on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and January 1. Motor vehicle taxes are due in one installment on July 1, and supplemental motor vehicle taxes are due in full January 1. Taxes become delinquent thirty days after the installment is due. Liens are filed by the last day of the fiscal year.

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

Cash and Cash Equivalents

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

Restricted Cash

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

Allowance for Doubtful Accounts

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

Investments

Investments for the Town are primarily reported at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

Inventories

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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.

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

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

In the governmental fund financial statements, capital outlay (assets) is reported as 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, as well as issuance costs, are deferred and amortized over the life the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred gains/losses on refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are recorded as expenditures. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received and principal payments, are reported as debt service expenditures.

Pension accounting

Pension Trust Fund

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

Governmental Funds and Governmental Activities

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 27. The net pension obligation (asset) is recorded as a noncurrent liability in the government-wide financial statements.

Funding Policy

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

OPEB accounting

OPEB Trust

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

Governmental Funds and Governmental Activities

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

Funding Policy

The Town makes annual contributions based on management decisions.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Net position

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

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

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

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

Fund Balance

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

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

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

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	\$ 44,938,231
Bond premium	1,557,278
OPEB obligations	5,300,200
Compensated absences	1,647,008
Early retirement incentive	538,695
Deferred gains/losses	(1,531,293)
Capital leases payable	1,977,583
Landfill closure	195,870
SCRRA loan	100,360
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 54,723,932</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	\$ 6,020,108
Depreciation expense	<u>(4,393,134)</u>
	<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 1,626,974</u></u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Debt issued or incurred:	
Issuance of bonds	\$ (9,080,516)
Capital lease	(1,196,862)
Bond issuance costs	32,052
Bond Premium	(80,297)
Principal repayments:	
General obligation debt	3,986,616
Bond anticipation notes	6,820,000
Capital lease	531,139
Amortization of deferred charges	(267,455)
Amortization of bond premium	224,908
Amortization of bond issue costs	<u>(63,301)</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>\$ 906,284</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

OPEB obligations	\$ (1,204,500)
Compensated absences	376,630
Early retirement incentives	83,204
Accrued interest	(85,411)
SCRRA loan	59,236
Landfill closure	<u>12,500</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (758,341)</u></u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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, 2013, \$15,344,789 of the Town's bank balance of \$23,403,971 was uninsured and uncollateralized.

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2013:

Cash and Cash Equivalents

Deposits with financial institutions	\$ 14,886,098
State of Connecticut Short-Term Investment Fund	1,905,202
Cutwater-Connecticut Class Plus Account	2,737,135
Total cash and cash equivalents	<u>19,528,435</u>

Investments

Pension Trust Funds:	
Fixed Income Funds	6,900,769
Mutual Funds	7,511,510
	<u>14,412,279</u>
General Fund:	
Certificates of deposit	2,506,524
	<u>2,506,524</u>
Total investments	<u>16,918,803</u>
Total cash, cash equivalents and investments	<u>\$ 36,447,238</u>

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

Statement of Net Position

Cash and cash equivalents	\$ 17,610,954
Investments	2,506,524
	<u>20,117,478</u>

Fiduciary Funds

Cash and cash equivalents	1,917,481
Investments	14,412,279
	<u>16,329,760</u>
Total cash, cash equivalents and investments	<u>\$ 36,447,238</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

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

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	6-10 Years
Pooled fixed income	\$ 4,642,337	\$ 4,642,337	\$ -

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	2,429,648	-
AAAm	-	4,642,337
AA	614,918	-
A	916,163	-
BBB	1,158,847	-
BB	773,869	-
B	665,382	-
BELOW B	229,850	-
OTHER	112,092	-
	<u>\$ 6,900,769</u>	<u>\$ 4,642,337</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,308,047	\$ -	\$ -	\$ 13,308,047
Construction in progress	4,495,456	556,869	(552,422)	4,499,903
Total capital assets, not being depreciated	17,803,503	556,869	(552,422)	17,807,950
Capital assets, being depreciated:				
Buildings and Improvements	120,147,698	3,470,476	-	123,618,174
Machinery and equipment	6,025,500	738,245	-	6,763,745
Vehicles	7,363,078	490,322	-	7,853,400
Infrastructure	20,179,134	1,316,618	(1,745,809)	19,749,943
Water distribution systems	22,042,033	-	-	22,042,033
Total capital assets, being depreciated	175,757,443	6,015,661	(1,745,809)	180,027,295
Total capital assets	193,560,946	6,572,530	(2,298,231)	197,835,245
Less accumulated depreciation for:				
Buildings and Improvements	54,586,713	1,994,311	-	56,581,024
Machinery and equipment	3,879,932	241,394	-	4,121,326
Vehicles	3,256,221	440,549	-	3,696,770
Infrastructure	15,412,852	1,230,308	(1,256,983)	15,386,177
Water distribution systems	10,957,120	486,572	-	11,443,692
Total accumulated depreciation	88,092,838	4,393,134	(1,256,983)	91,228,989
Total capital assets, being depreciated, net	87,664,605	1,622,527	(488,826)	88,798,306
Governmental activities capital assets, net	\$ 105,468,108	\$ 2,179,396	\$ (1,041,248)	\$ 106,606,256

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 608,210	\$ -	\$ -	\$ 608,210
Construction in progress	14,805	-	-	14,805
Total capital assets, not being depreciated	623,015	-	-	623,015
Capital assets, being depreciated:				
Buildings and Improvements	5,090,394	-	-	5,090,394
Machinery and equipment	607,884	-	-	607,884
Sewer distribution systems	57,650,225	1,289,433	-	58,939,658
Total capital assets, being depreciated	63,348,503	1,289,433	-	64,637,936
Total capital assets	63,971,518	1,289,433	-	65,260,951
Less accumulated depreciation for:				
Buildings and Improvements	1,649,287	91,627	-	1,740,914
Machinery and equipment	540,546	1,345	-	541,891
Sewer distribution systems	13,789,194	759,173	-	14,548,367
Total accumulated depreciation	15,979,027	852,145	-	16,831,172
Total capital assets, being depreciated, net	47,369,476	437,288	-	47,806,764
Total business-type activities capital assets, net	\$ 47,992,491	\$ 437,288	\$ -	\$ 48,429,779

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

Governmental activities:	
General government	\$ 1,501,169
Public safety	276,706
Public works	553,463
Recreation	208,521
Education	1,853,275
Total depreciation expense - governmental activities	<u>\$ 4,393,134</u>
Business-type activities:	
Sewer	\$ 852,145
Total depreciation expense - business-type activities	<u>\$ 852,145</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 5. Interfund Receivables, Payables and Transfers

A summary of interfund balances as of June 30, 2013 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 126,011	\$ 48,327
Sewer Assessments Fund	728,218	31,820
Bonded Capital Projects Fund	126,580	349,933
Capital Nonrecurring Fund	349,247	-
Non-Major Governmental Funds	74,201	293,793
Enterprise Funds	106,486	786,870
Grand Total	\$ 1,510,743	\$ 1,510,743

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

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

Interfund transfers during the year ended June 30, 2013 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 1,687,976	\$ 199,195
Sewer Assessments Fund	-	1,923,261
Capital Nonrecurring Fund	199,195	-
Bonded Capital Projects Fund	-	680,000
Water Department	1,773	-
Enterprise Funds	913,512	-
Grand Total	\$ 2,802,456	\$ 2,802,456

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 6. Unearned Revenue/Deferred Revenue

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

	Deferred Revenues	Unearned Revenues
	<u> </u>	<u> </u>
General Fund:		
Delinquent property taxes receivable	\$ 1,711,946	\$ -
Advance tax collections	-	100,072
Intergovernmental	551,644	-
Other	61,578	-
Sewer Assessments Fund:		
Sewer assessments not yet due	5,648,626	-
Bonded Capital Projects:		
Intergovernmental	234,097	-
Capital Nonrecurring Fund:		
Intergovernmental	97,496	-
Other Nonmajor Governmental Funds:		
Water usage unbilled	526,967	-
Grant drawdowns prior to meeting all eligibility requirements	-	405,220
Total deferred/unearned revenue	<u>\$ 8,832,354</u>	<u>\$ 505,292</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 7. Long-Term Liabilities

A summary of changes in outstanding long-term obligations during the year ended June 30, 2013 is as follows:

Description	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 39,844,331	\$ 9,080,516	\$ 3,986,616	\$ 44,938,231	\$ 3,834,857
Bond premium	1,701,889	80,297	224,908	1,557,278	-
Deferred gains/losses	(1,798,748)	-	(267,455)	(1,531,293)	-
	<u>39,747,472</u>	<u>9,160,813</u>	<u>3,944,069</u>	<u>44,964,216</u>	<u>3,834,857</u>
Other long-term liabilities:					
OPEB obligations	4,095,700	1,204,500	-	5,300,200	-
Compensated absences	2,023,638	178,437	555,067	1,647,008	500,000
SCRRA Loan	159,596	-	59,236	100,360	59,967
Capital lease obligations	1,311,860	1,196,862	531,139	1,977,583	663,348
Early retirement incentives	621,899	208,171	291,375	538,695	291,000
Landfill closure	208,370	-	12,500	195,870	14,000
Total other long-term liabilities	<u>8,421,063</u>	<u>2,787,970</u>	<u>1,449,317</u>	<u>9,759,716</u>	<u>1,528,315</u>
Governmental activity long-term liabilities	<u>\$ 48,168,535</u>	<u>\$ 11,948,783</u>	<u>\$ 5,393,386</u>	<u>\$ 54,723,932</u>	<u>\$ 5,363,172</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

General Obligation Bonds - Governmental Activities

As of June 30, 2013, 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, 2012	Additions	Deductions	Balance June 30, 2013
General Purpose:								
CIP Var, Darrow, Roads	\$ 6,970,000	07/26/2012	07/25/1932	2.0 - 4.0%	\$ -	\$ 6,970,000	\$ -	\$ 6,970,000
Open Space & Radio Upgrade	\$ 1,295,000	02/02/2012	07/15/2029	2.0 - 3.0%	1,295,000	-	-	1,295,000
TIF, Tech, & CIP	135,000	04/18/2011	07/15/2016	2.0 - 5.0%	131,000	-	36,000	95,000
Land Acq, Road, Fire Pump	3,860,000	02/09/2011	02/09/2031	2.0 - 5.0%	3,860,000	-	-	3,860,000
Open Space	918,000	02/10/2010	07/15/2026	2.0 - 5.0%	907,000	-	46,000	861,000
Radio System Upgrade	1,105,000	07/16/2009	07/15/2030	3.5-5.0%	150,000	-	50,000	100,000
Open Space	500,000	07/15/2007	07/15/2028	4.25%	25,000	-	25,000	-
Total General Purpose					6,368,000	6,970,000	157,000	13,181,000
Schools:								
CIP Culinary, Music Wall, Var	750,000	07/26/2012	07/15/2032	.65% - 3.1%	-	750,000	-	750,000
HS Roof & School Reno	1,693,000	02/02/2012	07/15/2028	2.0 - 3.0%	1,693,000	-	-	1,693,000
ELMS, Roof, School CIP	6,876,000	04/18/2011	07/15/2021	2.0 - 5.0%	6,791,000	-	875,000	5,916,000
ELMS, HS Roof & Ren Ref	7,785,000	02/10/2010	07/15/2024	2.0 - 5.0%	7,753,000	-	432,000	7,321,000
ELHS & Pool Refunding	3,969,000	07/16/2009	07/15/2019	3.0-4.0%	3,141,000	-	439,000	2,702,000
High School Roof	2,780,000	07/15/2007	07/15/2028	4.25%	140,000	-	140,000	-
School Renovations Projects	220,000	07/15/2007	07/15/2028	4.25%	10,000	-	10,000	-
Total Schools					19,528,000	750,000	1,896,000	18,382,000
Sewer:								
Pine Grove Sewer	580,000	02/02/2012	07/15/2028	2.0 - 3.0%	580,000	-	-	580,000
Sewer Const. - Ref 92 7 95	4,955,000	04/18/2011	07/15/2018	2.0 - 5.0%	4,850,000	-	920,000	3,930,000
Pine Grove Sewer Refund	2,182,000	02/10/2010	07/15/2026	2.0 - 5.0%	2,165,000	-	102,000	2,063,000
Sewer Const (Colton Rd)-Ref	531,000	07/16/2009	07/15/2019	3.00%	420,000	-	59,000	361,000
Pine Grove Sewer	1,000,000	07/15/2007	07/15/2028	4.25%	50,000	-	50,000	-
Clean Water Phase III	8,588,195	12/30/1994	12/21/2014	2.00%	675,493	-	450,036	225,457
Clean Water Phase IV	598,686	03/31/1995	03/31/2014	2.00%	52,385	-	29,934	22,451
Total Sewers					8,792,878	-	1,610,970	7,181,908
Water Bonds								
DWSRF 2012-7010	360,516	06/30/2013	12/31/2032	2.00%	-	360,516	-	360,516
Various Water Projects	1,000,000	07/26/2012	07/15/2032	2.0% - 4.0%	-	1,000,000	-	1,000,000
2012 Ref Bonds 2009	3,762,000	02/12/2012	07/15/2029	2.0 - 3.0%	3,762,000	-	-	3,762,000
DWSRF/ARRA 2010-8003	401,454	12/29/2011	06/30/2031	2.06%	401,454	-	36,646	364,808
Water Bonds - ref 98	239,000	04/18/2011	07/15/2016	2.0 - 5.0%	233,000	-	64,000	169,000
Various Water Projects	4,180,000	07/16/2009	07/15/2030	3.5-5.0%	600,000	-	200,000	400,000
Water Ref 03 Bonds	200,000	07/16/2009	07/15/2019	3.0-4.0%	159,000	-	22,000	137,000
Total Water					5,155,454	1,360,516	322,646	6,193,324
Total bonds/notes - governmental activities					\$ 39,844,331	\$ 9,080,516	\$ 3,986,616	\$ 44,938,231

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

The following is a summary as of June 30, 2013, of the future principal and interest requirements for the Town's bond indebtedness - governmental activities excluding the bond anticipation notes:

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 3,834,857	\$ 1,393,816	\$ 5,228,673
2015	3,637,389	1,277,378	4,914,767
2016	4,033,053	1,144,039	5,177,092
2017	4,048,731	1,000,286	5,049,017
2018	4,034,423	861,082	4,895,505
2019-2023	12,972,998	2,882,125	15,855,123
2024-2028	8,367,551	1,256,563	9,624,114
2029-2033	4,009,229	269,174	4,278,403
Total	<u>\$ 44,938,231</u>	<u>\$ 10,084,463</u>	<u>\$ 55,022,694</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Bond Anticipation Notes

The Town has \$4,130,000 of tax-exempt general obligation bond anticipation notes (BANS) outstanding as of June 30, 2013. The notes bear interest at 1.0%. The Notes mature in July 2014.

Bond anticipation note transactions for the year ended June 30, 2013 were as follows:

Outstanding, July 1, 2012	\$ 6,820,000
New borrowings	4,130,000
Repayments	(6,820,000)
Outstanding, June 30, 2013	<u>\$ 4,130,000</u>

Bonds Authorized But Unissued

Total authorized but unissued debt at June 30, 2013 consists of the following:

General purpose	\$ 6,285,000
Schools	3,616,066
Sewer	5,046,046
	<u>\$ 14,947,112</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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	\$ 104,992,000	\$ 23,596,000	\$ 81,396,000
Schools	209,984,000	21,998,066	187,985,934
Sewers	174,986,667	18,421,278	156,565,389
Urban renewal	151,655,111	-	151,655,111
Pension deficit	139,989,334	-	139,989,334

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$326,641,778.

Capital Lease

At June 30, 2013, the Board of Education is committed under leases for vehicles and miscellaneous instruments. These lease agreements qualify as capital leases for accounting purposes (title transfers at the beginning of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The equipment is carried at approximately \$2,465,000, with approximately \$930,000, in accumulated depreciation.

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

2014	\$ 663,348
2015	651,169
2016	420,018
2017	259,258
2018	97,184
Total	<u>2,090,977</u>
Less amount representing interest	<u>(68,447)</u>
	<u>\$ 2,022,530</u>

SCRRA Loan

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

Termination Benefits

The Town provides severance payments to teachers and department coordinators upon retirement, death or severe illness and to administrators upon retirement or the elimination of a position. To qualify for benefits, the employee must be either the age of 50 with 20 years of service, 25 years of service, or age 60 with 10 years of service. The Town funds the severance cost for the 21 eligible participants. The amounts are paid as incurred from the general fund. During the fiscal year ended June 30, 2013,

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

\$291,000 was paid for these benefits. At June 30, 2013, approximately \$539,000 is accrued in the governmental activities. The liability is liquidated out of the general fund.

Note 8. Landfill Post-Closure Care Costs

State and federal laws and regulations require that the Town place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liability for landfill post-closure care costs has a balance of \$196,000 as of June 30, 2013. The liability is accrued in the governmental activities. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

Note 9. Risk Management

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

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

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

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

The Town has purchased a stop loss 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.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

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,
2011-2012	\$ 426,607	\$ 5,713,657	\$ 5,740,672	\$ 399,592
2012-2013	399,592	6,678,405	6,625,286	452,711

Note 10. Contingent Liabilities

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

Note 11. Retirement Plans

Defined Benefit Plan (PERS)

Plan Description

Summary

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

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

Classes of Employees Covered

At January 1, 2013, the date of the last actuarial valuation, membership in the plan consisted of the following:

Retirees and beneficiaries currently receiving benefits	20
Terminated employees entitled to benefits but not yet receiving them	21
Inactive participants	-
Current employees	
Vested	119
Nonvested	68
	<u>187</u>
	<u>228</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Benefit Provisions

The Retirement Benefits are as follows:

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

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

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

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

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

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
06/30/2011	\$ 851,372	99.84%	\$ (36,378)
06/30/2012	837,280	99.84%	(35,040)
06/30/2013	953,904	99.91%	(34,185)

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the January 1, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included:

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Annual Pension Cost and Net Pension Asset (NPA)

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

Annual required contribution	\$ 953,049
Interest on net pension obligation	(2,453)
Adjustment to annual required contribution	3,308
Annual pension cost	<u>953,904</u>
Contributions made	<u>953,049</u>
Decrease in net pension asset	855
Net pension asset July 1, 2012	<u>(35,040)</u>
Net pension asset June 30, 2013	<u><u>\$ (34,185)</u></u>

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL As a % of Payroll ((2)-(1))/(5)
January 1, 2013	\$ 13,651,442	\$ 19,357,449	\$ 5,706,007	70.5%	\$ 8,484,665	(67.3) %

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

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, 2013, there were 15 plan members. The Town contributed \$61,887.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

STATEMENT OF PLAN NET POSITION
June 30, 2013

	Pension Trust funds		
	Retirement	Defined	Total Pension
	Pension	Contribution	Trust
	Trust	Trust	Funds
ASSETS			
Investments:			
Mutual Funds	\$ 6,719,761	\$ 791,749	\$ 7,511,510
Fixed Income Funds	6,900,770	-	6,900,770
Accounts receivable	37,059	-	37,059
Total investments	13,657,590	791,749	14,449,339
Total net position	13,657,590	791,749	14,449,339
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
	\$ 13,657,590	\$ 791,749	\$ 14,449,339

STATEMENT OF CHANGES IN PLAN NET POSITION
For the Year Ended June 30, 2013

	Pension Trust funds		
	Retirement	Defined	Total Pension
	Pension	Contribution	Trust
	Trust	Trust	Funds
ADDITIONS			
Contributions:			
Employer	\$ 953,049	\$ 61,887	\$ 1,014,936
Plan members	131,270	90,269	221,539
Total contributions	1,084,319	152,156	1,236,475
Investments:			
Net appreciation in fair value of investments	1,279,179	111,128	1,390,307
Total investment income	1,279,179	111,128	1,390,307
Total additions	2,363,498	263,284	2,626,782
DEDUCTIONS			
Benefits	150,322	201,336	351,658
Administration	51,041	495	51,536
Total deductions	201,363	201,831	403,194
Changes in net position	2,162,135	61,453	2,223,588
PLAN NET POSITION, beginning	11,495,455	730,296	12,225,751
PLAN NET POSITION, ending	\$ 13,657,590	\$ 791,749	\$ 14,449,339

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

Connecticut State Teachers' Retirement System

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

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

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

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$4,108,000 for the year ended June 30, 2013.

Note 12. Other Post-Employment Benefits

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

Post retirement benefits

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

Plan description and funding policy

The Town provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. The latest actuarial valuation was made July 1, 2012. The post-retirement plan does not issue stand-alone financial reports.

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

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

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

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	\$ 1,226,300	\$ 21,800	1.78%	\$ 5,300,200
6/30/12	1,226,400	(5,900)	-0.48%	4,095,700
6/30/11	1,133,000	240,700	21.20%	2,863,400

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2012	\$ -	\$ 11,457,200	\$ 11,457,200	0.0%	\$ 24,107,000	47.5%

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

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

OPEB Obligation

Annual required contribution	\$ 1,290,300
Interest on net pension obligation	163,800
Adjustment to ARC	<u>(227,800)</u>
Annual OPEB cost	1,226,300
Contributions made	<u>21,800</u>
Increase in net OPEB liability	1,204,500
Net OPEB obligation, beginning of year	<u>4,095,700</u>
Net OPEB obligation, end of year	<u><u>\$ 5,300,200</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, 2012
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	N/A
Amortization Method:	Level Percent of Pay
Remaining Amortization Period	30 Years – Level Dollar, Open
Actuarial Assumptions:	
Interest	4%
Health cost trend rates	Average annual healthcare cost trend rates are assumed to be as follows:

Year	Decrease
2013	7%
2014	6%
2015 and later	5%

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 13. Fund Deficits

The following fund had a fund deficit as of June 30, 2013:

Capital Nonrecurring Fund	\$ (1,793,729)
School Lunch Fund	<u>(141,877)</u>

The School Lunch Fund deficit is expected to be eliminated through transfers from the Town's general fund and from other revenue sources.

Note 14. Fund Balance (Deficits)

Below is a table of fund balance categories and classifications at June 30, 2013 for the Town governmental funds:

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Nonmajor Governmental Funds
Fund balances:					
Non-spendable:					
Permanent	\$ -	\$ -	\$ -	\$ -	\$ 910
Advance	-	635,927	-	-	-
Inventory	-	-	-	-	29,900
	<u>-</u>	<u>635,927</u>	<u>-</u>	<u>-</u>	<u>30,810</u>
Restricted:					
Capital projects	-	-	4,288,140	-	-
Recreation	-	-	-	-	6,680
	<u>-</u>	<u>-</u>	<u>4,288,140</u>	<u>-</u>	<u>6,680</u>
Committed:					
Public works	-	1,227,182	-	-	457,210
Capital projects	-	-	-	-	-
	<u>-</u>	<u>1,227,182</u>	<u>-</u>	<u>-</u>	<u>457,210</u>
Assigned:					
Public works	200,030	-	-	-	-
Public safety	1,617	-	-	-	-
Recreation	83,442	-	-	-	-
General government	17,040	-	-	-	-
Education	1,023,113	-	-	-	-
	<u>1,325,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:					
	<u>4,925,156</u>	<u>-</u>	<u>-</u>	<u>(1,793,729)</u>	<u>(141,877)</u>
Total fund balances (deficits)	<u>\$ 6,250,398</u>	<u>\$ 1,863,109</u>	<u>\$ 4,288,140</u>	<u>\$ (1,793,729)</u>	<u>\$ 352,823</u>

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

Note 15. Governmental Accounting Standards Board (GASB) Statements

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

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 68, for which there will be an effect due to the underfunded pension plan:

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued March 2012.** This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 66, *Technical Corrections—2012*, was issued in March 2012.** *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, was issued in June 2012.** The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was issued in June 2012.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014.

TOWN OF EAST LYME, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2013

- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, was issued in January 2013. This Statement provides guidance for:
 - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
 - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
 - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
 - Reporting the disposal of government operations that have been transferred or sold.

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

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.
- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68***. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2014.

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**Required Supplementary
Information - *unaudited***

TOWN OF EAST LYME, CONNECTICUT

**REQUIRED SUPPLEMENTARY INFORMATION - unaudited
PENSION TRUST AND OPEB
June 30, 2013**

Schedule of Funding Progress - Pension

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL As a % of Payroll ((2)-(1))/(5)
06/30/2008	7,189,058	10,727,282	3,538,224	67.0%	6,714,774	(52.7)%
06/30/2009	7,616,354	13,299,312	5,682,758	57.3%	7,219,904	(78.7)%
06/30/2010	8,357,352	13,315,443	4,958,091	62.8%	7,641,981	(64.9)%
06/30/2011	10,722,350	15,207,773	4,485,423	70.5%	7,318,648	(61.3)%
06/30/2012	11,497,549	17,564,890	6,067,341	65.5%	7,920,142	(76.6)%
06/30/2013	13,651,442	19,357,449	5,706,007	70.5%	8,484,665	(67.3)%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	605,163	605,163	100.0%
2009	675,251	675,251	100.0%
2010	750,941	750,941	100.0%
2011	850,037	850,037	100.0%
2012	835,942	835,942	100.0%
2013	953,049	953,049	100.0%

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2008	\$ -	\$ 12,751,400	\$ 12,751,400	0.0%	\$ 24,900,000	51.2%
7/1/2010	-	13,999,300	13,999,300	0.0%	24,572,000	57.0%
7/1/2012	-	11,457,200	11,457,200	0.0%	24,107,000	47.5%

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
06/30/09	\$ 1,129,500	2.00%
06/30/10	1,146,300	19.90%
06/30/11	1,163,800	21.20%
06/30/12	1,271,200	(0.48)%
06/30/13	1,290,300	1.78%

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, 2013

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes, interest and lien fees	\$ 46,616,596	\$ 46,616,596	\$ 46,487,710	\$ (128,886)
Intergovernmental	8,959,522	8,959,522	9,014,829	55,307
Charges for services	4,536,934	4,536,934	4,625,175	88,241
Income from investments	55,000	55,000	37,706	(17,294)
Total revenues	60,168,052	60,168,052	60,165,420	(2,632)
EXPENDITURES				
Current:				
General government	6,155,153	6,051,379	5,783,652	267,727
Public safety	3,519,044	3,613,900	3,509,915	103,985
Public works	3,538,494	3,700,613	3,610,921	89,692
Health and welfare	251,922	256,935	249,146	7,789
Culture and recreation	1,781,954	1,779,217	1,757,150	22,067
Education	41,214,544	41,214,544	41,214,544	-
Capital outlay	796,722	910,909	717,726	193,183
Debt service	4,957,888	4,957,888	4,944,915	12,973
Total expenditures	62,215,721	62,485,385	61,787,969	697,416
Revenues over (under) expenditures	(2,047,669)	(2,317,333)	(1,622,549)	694,784
OTHER FINANCING SOURCES (USES)				
Transfers in	1,697,669	1,697,669	1,697,300	(369)
Use of Fund Balance	350,000	350,000	-	(350,000)
Total other financing sources (uses)	2,047,669	2,047,669	1,697,300	(350,369)
Total	\$ -	\$ (269,664)	\$ 74,751	\$ 344,415

See note to required supplementary information

TOWN OF EAST LYME, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - unaudited June 30, 2013

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, 2013 aggregated approximately \$269,000 for the General Fund.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except for those in the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

(Continued)

TOWN OF EAST LYME, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – unaudited, Continued
June 30, 2013

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	\$ 61,862,720	\$ 61,787,969
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	4,108,000	4,108,000
Cancellation of prior year encumbrances	25,318	-
GASB 54 effect	1,847,353	1,932,232
Encumbrances:		
June 30, 2012	-	364,889
June 30, 2013		(639,073)
Balance, GAAP basis	<u>\$ 67,843,391</u>	<u>\$ 67,554,017</u>

**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, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
TAXES, INTEREST AND LIEN FEES				
Current Taxes	\$ 45,969,096	\$ 45,969,096	\$ 45,665,938	\$ (303,158)
Prior Taxes	400,000	400,000	541,527	141,527
Interest and Lien Fees	247,500	247,500	280,245	32,745
Total taxes, interest and lien fees	46,616,596	46,616,596	46,487,710	(128,886)
INTERGOVERNMENTAL				
Education cost sharing	7,132,641	7,132,641	7,130,164	(2,477)
Transportation	56,197	56,197	57,383	1,186
Town aid roads	162,169	162,169	160,692	(1,477)
Local Capital Improvement	123,543	123,543	48,066	(75,477)
Youth Service Bureau	30,515	30,515	27,085	(3,430)
Tax relief-telephone taxes	60,000	60,000	56,503	(3,497)
PILOT - State owned property	749,952	749,952	754,725	4,773
Pequot fund	334,121	334,121	329,826	(4,295)
PILOT - Hospital and Colleges	43,847	43,847	41,133	(2,714)
Tax relief machinery and equipment	-	-	17,810	17,810
Tax relief for elderly	113,591	113,591	105,513	(8,078)
Tax relief for disabled	1,051	1,051	1,162	111
Civil Preparedness	30,000	30,000	25,027	(4,973)
Tax relief for veterans	21,895	21,895	23,727	1,832
State grant - CERT	-	-	4,848	4,848
State grant - DUI	-	-	4,793	4,793
Other grants	100,000	100,000	226,372	126,372
Total intergovernmental	8,959,522	8,959,522	9,014,829	55,307
CHARGES FOR SERVICES				
Licenses and Permits:				
Building permits	170,000	170,000	290,771	120,771
Beach and recreation town funds	104,400	104,400	110,895	6,495
ZBA and planning commission	10,000	10,000	5,247	(4,753)
Conveyance tax	230,000	230,000	227,868	(2,132)
Dog licenses	11,000	11,000	12,090	1,090
Town Clerk fees	142,000	142,000	166,189	24,189
Zoning commission - Maps and permits	25,000	25,000	37,614	12,614
Solid waste removal license	375	375	300	(75)
Shellfish Permits	2,150	2,150	46	(2,104)
Youth services	25,000	25,000	-	(25,000)
Wetland Fees	1,000	1,000	6,550	5,550

(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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
CHARGES FOR SERVICES, CONTINUED				
Licenses and Permits, Continued:				
Conservation permits	13,000	13,000	-	(13,000)
Mooring Permits	4,765	4,765	7,075	2,310
Total licenses and permits	738,690	738,690	864,645	125,955
Fines and Forfeits:				
Parking Fees	10,000	10,000	11,909	1,909
Extra duty - police and fire	40,000	40,000	12,538	(27,462)
TC office fees	3,500	3,500	12,699	9,199
TC Fish and Game fees	500	500	387	(113)
Total fines and forfeits	54,000	54,000	37,533	(16,467)
CHARGES FOR SERVICES				
Tuition - other districts	2,961,074	2,961,074	2,955,153	(5,921)
Rent - cini park	12,260	12,260	11,148	(1,112)
Debt payment - Salem	92,353	92,353	92,353	-
Tipping fees commercial	313,000	313,000	284,921	(28,079)
Transportation subsidy	46,332	46,332	42,995	(3,337)
Recycling - other	20,000	20,000	30,040	10,040
Recycling - newspaper/cardboard	20,000	20,000	21,434	1,434
MSW containers	2,500	2,500	2,500	-
Kiducation	200	200	-	(200)
Pistol, Fire, & Loding	3,000	3,000	10,240	7,240
Assessor	3,500	3,500	3,288	(212)
Aging	24,000	24,000	30,354	6,354
Landfill deposits	155,000	155,000	138,631	(16,369)
Financial department	71,400	71,400	84,585	13,185
Tax collector	700	700	845	145
Selectman's office	650	650	273	(377)
Miscellaneous other	1,000	1,000	820	(180)
Smith-Harris commission	500	500	449	(51)
Town miscellaneous	10,000	10,000	12,968	2,968
Water and sewer services	6,775	6,775	-	(6,775)
Total charges for services	3,744,244	3,744,244	3,722,997	(21,247)
Total charges for services	4,536,934	4,536,934	4,625,175	88,241
INCOME FROM INVESTMENTS				
Interest Income	55,000	55,000	37,706	(17,294)
Total revenues	60,168,052	60,168,052	60,165,420	(2,632)

(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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Use of Fund Balance	350,000	350,000	-	(350,000)
Transfers in	1,697,669	1,697,669	1,697,300	(369)
	<u>2,047,669</u>	<u>2,047,669</u>	<u>1,697,300</u>	<u>(350,369)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 62,215,721</u>	<u>\$ 62,215,721</u>	<u>\$ 61,862,720</u>	<u>\$ (353,001)</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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
First Selectman	\$ 218,411	\$ 221,871	\$ 214,473	\$ 7,398
Assessor's office	196,576	199,516	186,285	13,231
Tax collector	161,199	164,973	162,475	2,498
Building official	153,721	156,658	148,164	8,494
Town engineer	247,707	254,230	246,614	7,616
Human resources	23,624	24,120	23,396	724
Town clerk	174,281	178,717	171,048	7,669
Health department	131,410	131,410	131,410	-
Information Technology	91,830	94,079	91,701	2,378
Registrars	96,486	97,336	83,319	14,017
Judge of Probate	12,868	12,868	12,868	-
Maintenance of town buildings	688,888	691,045	684,339	6,706
General government and benefits	3,199,640	3,225,986	3,131,296	94,690
Community services	24,451	24,451	24,451	-
Zoning commission	80,722	82,148	80,625	1,523
Planning department	70,692	72,376	71,314	1,062
Finance department	221,464	226,330	221,777	4,553
Contingency funds	263,100	94,807	16,598	78,209
Board of finance	37,100	37,100	37,041	59
Board of assessment appeals	3,692	3,692	1,104	2,588
Zoning board of appeals	980	980	536	444
Economic Development Commission	5,900	5,900	2,281	3,619
Inlands Wetlands Agency	21,331	21,706	19,073	2,633
Conservation commission	2,100	2,100	926	1,174
Waterford/ East Lyme shellfish commission	500	500	500	-
Smith-Harris Commission	12,400	12,400	9,553	2,847
Town building committee	900	900	480	420
Harbor management commission	13,180	13,180	10,005	3,175
Total General Government	6,155,153	6,051,379	5,783,652	267,727
PUBLIC SAFETY				
Police department	1,999,875	2,084,435	2,015,156	69,279
Niantic fire department	484,606	484,606	483,724	882
Flanders fire department	366,192	366,192	348,822	17,370
Emergency management	609,712	619,987	607,533	12,454
Animal Control	58,659	58,680	54,680	4,000
Total public safety	3,519,044	3,613,900	3,509,915	103,985
PUBLIC WORKS				
Highways and sanitation	3,538,494	3,700,613	3,610,921	89,692
Total public works	3,538,494	3,700,613	3,610,921	89,692

(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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
HEALTH AND WELFARE				
Commission on aging	238,964	243,977	236,633	7,344
Visiting nurses association	12,958	12,958	12,513	445
Total health and welfare	251,922	256,935	249,146	7,789
BOARD OF EDUCATION				
	41,214,544	41,214,544	41,214,544	-
CULTURE AND RECREATION				
East Lyme public library	995,069	981,543	981,543	-
Parks and recreation	786,885	797,674	775,607	22,067
Total culture and recreation	1,781,954	1,779,217	1,757,150	22,067
CAPITAL OUTLAY				
Town - Capital improvement program	796,722	867,061	682,376	184,685
Town - Special Appropriations	-	43,848	35,350	8,498
Total capital outlay	796,722	910,909	717,726	193,183
DEBT SERVICE				
Redemption of debt - principal	3,663,988	3,663,988	3,663,971	17
Interest payments	1,293,900	1,293,900	1,280,944	12,956
Total debt service	4,957,888	4,957,888	4,944,915	12,973
TOTAL EXPENDITURES AND ENCUMBRANCES	\$ 62,215,721	\$ 62,485,385	\$ 61,787,969	\$ 697,416

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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, 2013

	Special Revenue				Permanent Fund	Total Nonmajor Funds
	Water Department	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Fund	
ASSETS						
Cash	\$ 1,113,261	\$ 7,270	\$ 441,256	\$ -	\$ 911	\$ 1,562,698
Intergovernmental receivables	12,144	30,891	78,903	-	-	121,938
Assessments/user charges	650,648	-	-	-	-	650,648
Inventory	29,900	-	-	-	-	29,900
Due from other funds	6,662	-	-	6,679	-	13,341
Total assets	\$ 1,812,615	\$ 38,161	\$ 520,159	\$ 6,679	\$ 911	\$ 2,378,525
LIABILITIES AND FUND BALANCES (DEFICITS)						
Liabilities						
Accounts payable	\$ 611,912	\$ 180,038	\$ 7,772	\$ -	\$ -	\$ 799,722
Due to other funds	186,626	-	107,167	-	-	293,793
Unearned revenue	-	-	405,220	-	-	405,220
Deferred revenue	526,967	-	-	-	-	526,967
Total liabilities	1,325,505	180,038	520,159	-	-	2,025,702
Fund Balances (Deficits)						
Nonspendable	29,900	-	-	-	910	30,810
Restricted	-	-	-	6,679	1	6,680
Committed	457,210	-	-	-	-	457,210
Unassigned	-	(141,877)	-	-	-	(141,877)
Total fund balances (deficits)	487,110	(141,877)	-	6,679	911	352,823
Total liabilities and fund balances (deficits)	\$ 1,812,615	\$ 38,161	\$ 520,159	\$ 6,679	\$ 911	\$ 2,378,525

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, 2013

	Special Revenue				Permanent Fund	Total Nonmajor Funds
	Water Department	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Funds	
REVENUES						
Intergovernmental	\$ -	\$ 215,648	\$ 638,165	\$ 4,000	\$ -	\$ 857,813
Charges for services	2,284,074	589,755	-	4,200	-	2,878,029
Interest income	30	-	-	-	-	30
Total revenues	2,284,104	805,403	638,165	8,200	-	3,735,872
EXPENDITURES						
Current:						
Culture and recreation	-	-	-	4,000	-	4,000
Public works	1,812,854	-	-	-	-	1,812,854
Education	-	877,251	638,165	-	-	1,515,416
Debt service	479,398	-	-	-	-	479,398
Total expenditures	2,292,252	877,251	638,165	4,000	-	3,811,668
Revenues over (under) expenditures	(8,148)	(71,848)	-	4,200	-	(75,796)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,773	-	-	-	-	1,773
Total other financing sources (uses)	1,773	-	-	-	-	1,773
Change in fund balances (deficits)	(6,375)	(71,848)	-	4,200	-	(74,023)
FUND BALANCES (DEFICITS), beginning	493,485	(70,029)	-	2,479	911	426,846
FUND BALANCES (DEFICITS), ending	\$ 487,110	\$ (141,877)	\$ -	\$ 6,679	\$ 911	\$ 352,823

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, 2013

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
ASSETS			
Cash	\$ 31,152	\$ 3,112	\$ 34,264
Total assets	31,152	3,112	34,264
NET POSITION HELD IN TRUST FOR OTHER PURPOSES	\$ 31,152	\$ 3,112	\$ 34,264

TOWN OF EAST LYME, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Private	\$ 2,825	\$ -	\$ 2,825
Total contributions	2,825	-	2,825
Investments:			
Interest income	42	2	44
Total investment income	42	2	44
DEDUCTIONS			
Expense	4,745	-	4,745
Changes in net position	(1,878)	2	(1,876)
NET POSITION, beginning	33,030	3,110	36,140
NET POSITION, ending	\$ 31,152	\$ 3,112	\$ 34,264

TOWN OF EAST LYME, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS				
Cash and cash equivalents:				
Student activity fund	\$ 614,904	\$ 1,026,899	\$ 1,002,705	\$ 639,098
Performance bonds	1,221,956	43,168	21,005	1,244,119
Total assets	1,836,860	1,070,067	1,023,710	1,883,217
LIABILITIES				
Student activity fund	\$ 614,904	\$ 1,026,899	\$ 1,002,705	\$ 639,098
Performance bonds	1,221,956	43,168	21,005	1,244,119
Total liabilities	\$ 1,836,860	\$ 1,070,067	\$ 1,023,710	\$ 1,883,217

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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, 2013

Governmental funds capital assets:

Land	\$ 13,308,047
Construction in progress	4,499,903
Buildings and improvements	123,618,174
Machinery and equipment	6,763,745
Vehicles	7,853,400
Infrastructure	19,749,943
Water distribution system	22,042,033
Total governmental funds capital assets	<u>\$ 197,835,245</u>

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Other Schedules

TOWN OF EAST LYME, CONNECTICUT

BALANCE SHEET - BY ACCOUNT - GENERAL FUND

June 30, 2013

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Receivables	Totals
ASSETS						
Cash	\$ 4,548,783	\$ 595,413	\$ -	\$ -	\$ -	\$ 5,144,196
Investments	2,506,524	-	-	-	-	2,506,524
Intergovernmental receivables	651,588	-	-	-	-	651,588
Property taxes	1,787,056	-	-	-	-	1,787,056
Assessments/user charges	80,720	-	-	-	-	80,720
Other	113,325	-	-	-	-	113,325
Due from other funds	126,011	-	8,126	105,716	(113,842)	126,011
Total assets	\$ 9,814,007	\$ 595,413	\$ 8,126	\$ 105,716	\$ (113,842)	\$ 10,409,420
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,662,369	\$ -	\$ 812	\$ 22,274	\$ -	\$ 1,685,455
Due to other funds	162,169	-	-	-	(113,842)	48,327
Unearned revenue	100,072	-	-	-	-	100,072
Deferred revenue	2,325,168	-	-	-	-	2,325,168
Total liabilities	4,249,778	-	812	22,274	(113,842)	4,159,022
FUND BALANCES						
Assigned	639,073	595,413	7,314	83,442	-	1,325,242
Unassigned	4,925,156	-	-	-	-	4,925,156
Total fund balances	5,564,229	595,413	7,314	83,442	-	6,250,398
Total liabilities and fund balances	\$ 9,814,007	\$ 595,413	\$ 8,126	\$ 105,716	\$ (113,842)	\$ 10,409,420

TOWN OF EAST LYME, CONNECTICUT

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

For the Year Ended June 30, 2013

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Transfers	Totals
REVENUES						
Property taxes	\$ 46,487,710	\$ -	\$ -	\$ -	\$ -	\$ 46,487,710
Intergovernmental	13,148,147	-	-	-	-	13,148,147
Charges for services	4,625,175	1,445,251	34,110	376,748	-	6,481,284
Interest income	37,706	568	-	-	-	38,274
Total revenues	64,298,738	1,445,819	34,110	376,748	-	66,155,415
EXPENDITURES						
Current:						
Culture and recreation	1,756,469	-	-	373,881	-	2,130,350
Public works	3,547,678	-	-	-	-	3,547,678
Education	45,081,835	1,550,203	-	-	-	46,632,038
General government	5,776,162	-	16,370	-	-	5,792,532
Public safety	3,510,456	-	1,102	-	-	3,511,558
Health and welfare	250,214	-	-	-	-	250,214
Capital outlay	615,732	-	-	-	-	615,732
Debt service:						
Principal	3,663,971	-	-	-	-	3,663,971
Interest	1,210,749	-	-	-	-	1,210,749
Total expenditures	65,413,266	1,550,203	17,472	373,881	-	67,354,822
Revenues over (under) expenditures	(1,114,528)	(104,384)	16,638	2,867		(1,199,407)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,697,300	-	-	-	(9,324)	1,687,976
Transfers (out)	(199,195)	-	(9,324)	-	9,324	(199,195)
Total other financing sources (uses)	1,498,105	-	(9,324)	-	-	1,488,781
Change in fund balances	383,577	(104,384)	7,314	2,867	-	289,374
FUND BALANCES, beginning	5,180,652	699,797	-	80,575	-	5,961,024
FUND BALANCES, ending	\$ 5,564,229	\$ 595,413	\$ 7,314	\$ 83,442	\$ -	\$ 6,250,398

TOWN OF EAST LYME, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2013

Grand List Year	Balance Uncollected July 1, 2012	Current Levy	Lawful Corrections			Balance to be Collected	Collections				Balance Uncollected June 30, 2013
			Additions	Deletions	Transfers to Suspende		Taxes	Interest and Lien Fees	Total	Refunds	
1997	3,273	-	-	-	-	3,273	97	246	343	-	3,176
1998	3,039	-	-	-	-	3,039	-	-	-	-	3,039
1999	3,399	-	-	-	348	3,051	-	-	-	-	3,051
2000	4,822	-	41	-	1,486	3,377	41	-	41	-	3,336
2001	5,487	-	-	-	504	4,983	-	-	-	-	4,983
2002	7,178	-	-	-	468	6,710	-	-	-	-	6,710
2003	11,410	-	43	-	1,245	10,208	43	-	43	-	10,165
2004	18,114	-	-	-	2,735	15,379	679	924	1,603	-	14,700
2005	40,721	-	-	-	2,532	38,189	2,268	2,315	4,583	-	35,921
2006	49,397	-	-	-	2,798	46,599	6,360	4,936	11,296	-	40,239
2007	62,088	-	-	-	7,358	54,730	22,245	13,256	35,501	63	32,548
2008	124,456	-	-	-	12,267	112,189	33,719	20,261	53,980	-	78,470
2009	247,472	-	866	34	1,726	246,578	83,268	30,390	113,658	8	163,318
2010	722,866	-	1,300	5,670	4,614	713,882	393,563	77,079	470,642	59	320,378
2011	-	46,722,194	20,961	398,053	963	46,344,139	45,737,346	130,062	45,867,408	79,523	686,316
	<u>\$ 1,303,722</u>	<u>\$ 46,722,194</u>	<u>\$ 23,211</u>	<u>\$ 403,757</u>	<u>\$ 39,044</u>	<u>\$ 47,606,326</u>	<u>\$ 46,279,629</u>	<u>\$ 279,469</u>	<u>\$ 46,559,098</u>	<u>\$ 79,653</u>	<u>\$ 1,406,350</u>

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