

Town of East Lyme, Connecticut

Financial Report
June 30, 2016

Contents

| | |
|--|-------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis – Unaudited | 3-12 |
| Basic Financial Statements | |
| Government-Wide Financial Statements: | |
| Statement of net position | 13 |
| Statement of activities | 14 |
| Fund Financial Statements: | |
| Balance sheet – governmental funds | 15 |
| Statement of revenues, expenditures and changes in fund balances – governmental funds | 16 |
| Reconciliation of the statement of revenue, expenditures and changes in fund balances of governmental funds to the statement of activities | 17 |
| Statement of net position – proprietary funds | 18 |
| Statement of revenues, expenses and changes in fund net position – proprietary funds | 19 |
| Statement of cash flows – proprietary funds | 20-21 |
| Statement of fiduciary net position – fiduciary funds | 22 |
| Statement of changes in fiduciary net position – fiduciary funds | 23 |
| Notes to financial statements | 24-60 |
| Required Supplementary Information – Unaudited | |
| Schedules of employer contributions | 61 |
| Schedule of changes in the town's net pension liability and related ratios and schedule of investment returns | 62 |
| Schedule of the town's proportionate share of the net pension liability – teachers' retirement system | 63 |
| Schedule of funding progress and employer contributions - OPEB | 64 |
| Statement of revenues and expenditures – budgetary basis – budget and actual – general fund | 65 |
| Note to required supplementary information | 66-67 |
| Combining and Individual Fund Financial Statements and Other Schedules | |
| <u>General Fund</u> | |
| General fund revenues and other financing sources – budgetary basis – budget and actual | 69-71 |
| General fund expenditures and other financing uses – budgetary basis – budget and actual | 72-73 |
| <u>Nonmajor Governmental Funds</u> | |
| Combining balance sheet | 75 |
| Combining statement of revenues, expenditures and changes in fund balances (deficits) | 76 |
| <u>Fiduciary Funds</u> | |
| Combining statement of net position – fiduciary funds | 77 |
| Combining statement of changes in fiduciary net position – fiduciary funds | 78 |
| Combining statement of changes in assets and liabilities – agency funds | 79 |

Contents

Capital Assets Used in the Operation of Governmental Funds

Schedule by category 81

Other Schedules

Balance sheet – by account – general fund 83

Schedule of revenues, expenditures and changes in fund balance – by account –
general fund 84

Schedule of property taxes levied, collected and outstanding 85



Independent Auditor's Report

RSM US LLP

To the Board of Finance
Town of East Lyme, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of East Lyme, Connecticut (the Town) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Lyme, Connecticut as of June 30, 2016, 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 - OPEB, budgetary comparison information and the pension related schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

RSM US LLP

New Haven, Connecticut
July 14, 2017

Town of East Lyme, Connecticut
Management's Discussion and Analysis - unaudited
June 30, 2016

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, 2016.

Financial Highlights

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$109.8 million (*net position*).

The Town's total net position decreased by \$2.4 million.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11.3 million, a decrease of \$0.3 million in comparison with the prior year.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.1 million or 7.6% of total general fund budgeted expenditures and transfers out of \$66.9 million.

The Town's total bond/note debt decreased by \$0.3 million during the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Other Information

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$109.8 million at the close of the fiscal year.

By far the largest portion of the Town's net position (97.1%) 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, 2016 and 2015

| | June 30, 2016 | | | June 30, 2015 | | |
|---|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|-------------------|
| | Primary Government | | | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Current and other assets | \$ 21,347 | \$ 89 | \$ 21,436 | \$ 24,007 | \$ 135 | \$ 24,142 |
| Capital assets | 116,651 | 46,015 | 162,666 | 115,176 | 46,753 | 161,929 |
| Total assets | 137,998 | 46,104 | 184,102 | 139,183 | 46,888 | 186,071 |
| Deferred outflows of resources | 2,527 | - | 2,527 | 1,992 | - | 1,992 |
| Total deferred outflows of resources | 2,527 | - | 2,527 | 1,992 | - | 1,992 |
| Other liabilities | 10,097 | 76 | 10,173 | 11,724 | 106 | 11,830 |
| Long-term liabilities | 65,117 | - | 65,117 | 63,776 | - | 63,776 |
| Total liabilities | 75,214 | 76 | 75,290 | 75,500 | 106 | 75,606 |
| Deferred pension amounts | 745 | - | 745 | 221 | - | 221 |
| Advance tax collections | 752 | - | 752 | - | - | - |
| Total deferred inflows of resources | 1,497 | - | 1,497 | 221 | - | 221 |
| Net position: | | | | | | |
| Net investment in capital assets | 60,614 | 46,015 | 106,629 | 60,368 | 46,753 | 107,121 |
| Restricted | 23 | - | 23 | 15 | - | 15 |
| Unrestricted | 3,177 | 13 | 3,190 | 5,071 | 29 | 5,100 |
| Total net position | \$ 63,814 | \$ 46,028 | \$ 109,842 | \$ 65,454 | \$ 46,782 | \$ 112,236 |

**TOWN OF EAST LYME, CONNECTICUT
SUMMARY STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

| | Year Ended June 30, 2016 | | | Year Ended June 30, 2015 | | |
|---|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|-------------------|
| | Primary Government | | | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charge for services | \$ 10,474 | \$ 2,118 | \$ 12,592 | \$ 10,591 | \$ 1,910 | \$ 12,501 |
| Operating grants and contributions | 14,155 | - | 14,155 | 13,660 | - | 13,660 |
| Capital grants and contributions | 533 | - | 533 | 799 | - | 799 |
| General Revenues: | | | | | | |
| Property Taxes | 52,096 | - | 52,096 | 49,664 | - | 49,664 |
| Grants, contributions not restricted to specific programs | 1,384 | - | 1,384 | 1,572 | - | 1,572 |
| Miscellaneous | 30 | - | 30 | 248 | - | 248 |
| Investment income | 52 | - | 52 | 50 | - | 50 |
| Total revenues | \$ 78,724 | \$ 2,118 | \$ 80,842 | \$ 76,584 | \$ 1,910 | \$ 78,494 |
| Expenses: | | | | | | |
| Program Activities | | | | | | |
| Primary Government: | | | | | | |
| General government | \$ 7,934 | \$ - | \$ 7,934 | \$ 6,977 | \$ - | \$ 6,977 |
| Public safety | 4,450 | - | 4,450 | 4,315 | - | 4,315 |
| Public works | 8,202 | - | 8,202 | 8,918 | - | 8,918 |
| Health and welfare | 278 | - | 278 | 278 | - | 278 |
| Culture and recreation | 2,643 | - | 2,643 | 2,542 | - | 2,542 |
| Education | 56,566 | - | 56,566 | 56,366 | - | 56,366 |
| Interest expense | 209 | - | 209 | 400 | - | 400 |
| Business-Type Activities: | | | | | | |
| Sewer department | - | 2,954 | 2,954 | - | 2,719 | 2,719 |
| Total expenses | 80,282 | 2,954 | 83,236 | 79,796 | 2,719 | 82,515 |
| Transfers in (out) | (82) | 82 | - | (47) | 47 | - |
| Change in net position | (1,640) | (754) | (2,394) | (3,259) | (762) | (4,021) |
| Net Position - beginning | 65,454 | 46,782 | 112,236 | 68,711 | 47,544 | 116,255 |
| Net Position - ending | \$ 63,814 | \$ 46,028 | \$ 109,842 | \$ 65,452 | \$ 46,782 | \$ 112,234 |

Governmental Activities

For governmental activities, 66.2% of the revenues were derived from property taxes, followed by 20.4% from intergovernmental revenues and 13.3% for charges for services.

Major revenue factors included:

- Property tax increase \$2.4 million due to an increase in the grand list and in the mil rate
- Charges for services decreased \$.117 million primarily due to education tuitions for out of district students being less than anticipated
- Intergovernmental increased by \$.041 million for grants received

For governmental activities, approximately 70.5% of the Town's expenses relate to education, 9.9% relate to general government, 10.2% relate to public works operations, 5.5% to public safety and the remaining 3.9% relate to interest expense, health and welfare, recreation and miscellaneous.

Major expense factors include:

- Public Works expenses decreased \$.7 million due to less capital outlay.
- Culture and recreation increased by \$0.1 million due programs.
- Education expenses increased of \$0.2 million due to claims incurred.

Business-Type Activities

Business-type activities (Sewer Department) decreased the Town's net position by \$754,000, or 1.6%. This decrease was due primarily due to depreciation expense.

Financial Analysis of the Fund Financial Statements

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.1 million, while total fund balance reached \$5.9 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.6% of total general fund budgeted expenditures.

The fund balance for the Town's general fund decreased by approximately \$127,000 during the current fiscal year. A key factor in this is as follows:

- Due to education expenses

The Sewer Assessments fund balance was maintained at the prior year level.

The Water department fund balance decreased slightly by \$0.05 million due to employee benefit costs.

The Bonded Project Fund decreased \$.358 million due primarily to completion of funded projects.

The Capital Nonrecurring Fund increased \$0.48 million due primarily to the completion of various capital projects and bond anticipation note proceeds.

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

Net Position of the Sewer Department at the end of the year was \$46 million, a decrease of \$753,000 over the prior year. Unrestricted net position for the Sewer Department reflected \$13,000 of total Net Position.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$0.432 million

During the year, actual revenues, including transfers in, were \$66.9 million, which was less than budgetary estimates by \$0.642 million. Major contributors were:

- \$0.3 million greater due to better than expected aggregate tax collections
- \$0.1 million less combined net effect for various local fee estimates, mainly a decrease in out of district tuition.
- \$0.1 million less due to various intergovernmental grants.
- \$.06 million greater combined net effect for various charges for services, primarily real estate conveyance tax and beach revenues

General Fund Budgetary Highlights

Expenditures

Special appropriations during the year totaled \$432,437 as follows:

- \$195 thousand for LoCIP Grant
- \$178 thousand additional Town Aid Road Grant Funds
- \$4 thousand N Parahus fund subsidy for Commission on Aging
- \$55 thousand FEMA Funds for a mini-excavator

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, 2016, amounted to \$163.0 million (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges. The total net increase in the Town's investment in capital assets for the current fiscal year was \$0.7 million, an increase of 0.04%.

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

- Road reconstruction and improvement projects.
- The seventh year implementation of a vehicle acquisition program in accordance with a fleet plan including dump truck, pick-up truck with utility body and plow, recycling truck, police patrol explorer and tractor.
- Purchase of a new boat for the Harbor Master.
- Delivery of a Tower Ladder Apparatus for Flanders Fire Department.
- New Salt Storage Facility and Fueling Station at our Field Services Facility.
- Various Board of Education improvements including; Lighting System at ELHS Tennis Courts, and annual technology upgrades as part of the acquisition program.
- Acquisition of property known as 224 Main Street.
- Various water distribution system improvements.

**CAPITAL ASSETS, NET OF DEPRECIATION
JUNE 30, 2016 AND 2015**

| | June 30, 2016 | | | June 30, 2015 | | |
|--------------------------------------|----------------------------|-----------------------------|-------------------|----------------------------|-----------------------------|-------------------|
| | Primary Government | | | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Land | \$ 14,138 | \$ 608 | \$ 14,746 | \$ 13,588 | \$ 608 | \$ 14,196 |
| Construction in progress | 4,683 | 15 | 4,698 | 8,653 | 15 | 8,668 |
| Water and Sewer distribution systems | 16,424 | 42,222 | 58,646 | 16,878 | 42,857 | 59,735 |
| Building and improvements | 62,926 | 3,073 | 65,999 | 64,574 | 3,165 | 67,739 |
| Vehicles | 3,712 | - | 3,712 | 2,945 | - | 2,945 |
| Machinery and equipment | 5,023 | 97 | 5,120 | 4,108 | 107 | 4,215 |
| Infrastructure | 9,745 | - | 9,745 | 4,429 | - | 4,429 |
| Total | \$ 116,651 | \$ 46,015 | \$ 162,666 | \$ 115,175 | \$ 46,752 | \$ 161,927 |

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 \$49.8 million, all of which is backed by the full faith and credit of the Town government.

**CHANGES IN TOWN DEBT
JUNE 30, 2016 AND 2015**

| | June 30, 2016 | | | June 30, 2015 | | |
|--------------------------|----------------------------|-----------------------------|------------------|----------------------------|-----------------------------|------------------|
| | Primary Government | | | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| General obligation bonds | \$ 43,970 | \$ - | \$ 43,970 | \$ 43,996 | \$ - | \$ 43,996 |
| Drinking water notes | 6,545 | - | 6,545 | 6,849 | - | 6,849 |
| | \$ 50,516 | \$ - | \$ 50,516 | \$ 50,845 | \$ - | \$ 50,845 |

The Town's total bonded debt increased by \$1,069,000 during the 2016 fiscal year due to the net impact of scheduled pay down of debt during the fiscal year and permanently bonding road rehabilitation work, various CIP projects and a ladder truck for our Flanders Fire Department. 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 2017 budget tax rates, the primary factor being the economy. Unemployment in the Town is at 5.3% and 5.9% for 2015 and 2014. This compares with the State's average unemployment rate of 5.6% and 6.6% and is .7% lower than the New London County average rate of 6.0%.

Revenues

The Town realized an increase in State funding despite the economic state of the budget, it was necessary to hold the line with expenditure reductions with an overall increase in taxes of \$2.3 million. There was a modest increase in the grand list of 10/1/2015 of \$38 million or .018%. Significant revenue issues were as follows:

- Out of district tuition fees decreased by \$70 thousand due to enrollment estimates
- Net increase in State of Connecticut revenues of \$140,497 due primarily to the new Revenue Sharing Grant
- The market for recycled cardboard and paper has decreased, therefore reduced revenue by \$15,750
- The Town maintained various local fees collected based upon trend analysis
- A decrease in the Operating Transfer In from the Sewer Assessment due to retirement of debt
- A streetlight rebate in the amount of \$122,000 for purchasing the town's streetlights and converting to energy efficient lighting

Expenditures

The average wage increases for town employees was 2.5%. The Board of Education Secretarial Group received 2.25% and the Custodians received 2.5%. Administrators wage increases were 3.25% and teachers up to 5.7% which includes steps. The Paraprofessional Group received 2.5% plus a step at 1.25%. Other non-union unaffiliated staff received 2%

The Board of Education requested a budget increase of \$1.5 million; the Board of Finance reduced the bottom line by \$.115 million to \$45 million. The Town has no authority to direct where those cuts will come, only the Board of Education can decide what line items will be altered.

All of these factors were considered in preparing the Town's budget for the 2017 fiscal year. During the current fiscal year, unassigned fund balance in the general fund increased to \$.48 million. The Town did appropriate \$675,000 of fund balance for spending in the 2017 fiscal year budget an increase of \$25,000 from prior years.

Overall, the fiscal year 2016 – 2017 budget was increased \$2 million or 3.13%. Town government increased \$762 thousand (4.57%) over fiscal year 2016, debt service decreased \$64 thousand (1.21%), and the Board of Education increased \$1.4 million (3.3%) from the prior year. Capital improvement expenditures were decreased \$51 thousand (4.65%).

The following factors played a role in our setting the budget for fiscal year 2016 – 2017 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 2017 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 2015/16 level of spending. Increases in operating costs are primarily due to health insurance premiums, contract issues and state mandates.
- The Town of East Lyme's 2016/2017 budget totals \$69.2 million, which represents a 3.13% increase in expenditures from the fiscal year 2016 adopted budget. The Town's mill rate increased from 24.71 to 25.36 a .65 or a 2.6% increase. This represents a fiscally conservative and prudent approach to developing a Town-wide spending plan for the fiscal year.

Requests for Information

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

Basic Financial Statements

Town of East Lyme, Connecticut

Statement of Net Position
June 30, 2016

| | Governmental Type Activities | Business-Type Activities | Total |
|--|---------------------------------|-----------------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 8,246,595 | \$ 462,513 | \$ 8,709,108 |
| Investments | 2,005,557 | - | 2,005,557 |
| Receivables: | | | |
| Property taxes, net of allowance for collection losses | 2,163,099 | - | 2,163,099 |
| Assessments/use charges | 3,897,236 | 498,231 | 4,395,467 |
| Intergovernmental | 730,611 | - | 730,611 |
| Other | 23,572 | 29,239 | 52,811 |
| Internal balances | 915,046 | (915,046) | - |
| Other assets | 152,056 | 14,478 | 166,534 |
| Restricted cash | 3,212,770 | - | 3,212,770 |
| Capital assets, not being depreciated | 18,820,833 | 623,015 | 19,443,848 |
| Capital assets, net of accumulated depreciation | 97,830,156 | 45,392,089 | 143,222,245 |
| Total assets | 137,997,531 | 46,104,519 | 184,102,050 |
| Deferred outflows of resources: | | | |
| Deferred pension amounts | 1,593,663 | - | 1,593,663 |
| Deferred charges on refundings | 933,379 | - | 933,379 |
| Total deferred outflows of resources | 2,527,042 | - | 2,527,042 |
| Liabilities | | | |
| Accounts payable and accruals | 3,035,671 | 72,380 | 3,108,051 |
| Accrued interest payable | 494,325 | - | 494,325 |
| Meter deposits | - | 3,595 | 3,595 |
| Unearned revenue | 58,572 | - | 58,572 |
| Long-term liabilities: | | | |
| Due within one year | 6,508,110 | - | 6,508,110 |
| Due in more than one year | 65,117,042 | - | 65,117,042 |
| Total liabilities | 75,213,720 | 75,975 | 75,289,695 |
| Deferred Inflows of resources: | | | |
| Deferred pension amounts | 745,485 | - | 745,485 |
| Advance tax collections | 751,589 | - | 751,589 |
| Total deferred inflows of resources | 1,497,074 | - | 1,497,074 |
| Net position: | | | |
| Net investment in capital assets | 60,613,859 | 46,015,104 | 106,628,963 |
| Restricted: | | | |
| Culture and recreation | 22,526 | - | 22,526 |
| Unrestricted | 3,177,394 | 13,440 | 3,190,834 |
| Total net position | \$ 63,813,779 | \$ 46,028,544 | \$ 109,842,323 |

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Activities

For the Year Ended June 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 7,933,576 | \$ 1,005,440 | \$ - | \$ - | \$ (6,928,136) | \$ - | \$ (6,928,136) |
| Public safety | 4,449,953 | 70,573 | 95,387 | - | (4,283,993) | - | (4,283,993) |
| Public works | 8,202,271 | 4,870,589 | 576,483 | 532,935 | (2,222,264) | - | (2,222,264) |
| Health and welfare | 277,673 | - | 26,160 | - | (251,513) | - | (251,513) |
| Culture and recreation | 2,643,165 | 743,240 | 3,000 | - | (1,896,925) | - | (1,896,925) |
| Education | 56,566,249 | 3,783,886 | 13,454,137 | - | (39,328,226) | - | (39,328,226) |
| Interest expense | 209,335 | - | - | - | (209,335) | - | (209,335) |
| Total governmental activities | 80,282,222 | 10,473,728 | 14,155,167 | 532,935 | (55,120,392) | - | (55,120,392) |
| Business-type activities: | | | | | | | |
| Sewer department | 2,952,559 | 2,117,830 | - | - | - | (834,729) | (834,729) |
| Total business-type activities | 2,952,559 | 2,117,830 | - | - | - | (834,729) | (834,729) |
| Total primary government | \$ 83,234,781 | \$ 12,591,558 | \$ 14,155,167 | \$ 532,935 | (55,120,392) | (834,729) | (55,955,121) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 52,095,997 | - | 52,095,997 |
| Grants and contributions not restricted to specific programs | | | | | 1,383,609 | - | 1,383,609 |
| Income from investments | | | | | 52,176 | - | 52,176 |
| Miscellaneous | | | | | 30,186 | - | 30,186 |
| Transfers | | | | | (81,726) | 81,726 | - |
| Total general revenues and transfers | | | | | 53,480,242 | 81,726 | 53,561,968 |
| Change in net position | | | | | (1,640,150) | (753,003) | (2,393,153) |
| Net position - beginning | | | | | 65,453,929 | 46,781,547 | 112,235,476 |
| Net position - ending | | | | | \$ 63,813,779 | \$ 46,028,544 | \$ 109,842,323 |

See notes to financial statements.

Town of East Lyme, Connecticut

Balance Sheet - Governmental Funds
June 30, 2016

| | Major Funds | | | | | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------------|---------------------|-------------------------------|---------------------------------|--|--------------------------------|
| | General | Sewer Assessments Fund | Water Department | Bonded Capital Projects | Capital Nonrecurring Fund | | |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 5,508,199 | \$ 742,395 | \$ 898,209 | \$ 2,157,919 | \$ 1,054,851 | \$ 192,402 | \$ 10,553,975 |
| Investments | 2,005,557 | - | - | - | - | - | 2,005,557 |
| Receivables (net of allowances for collection losses): | | | | | | | |
| Property taxes | 2,163,099 | - | - | - | - | - | 2,163,099 |
| Assessments/use charges | 49,225 | 3,012,794 | 780,148 | - | - | - | 3,842,167 |
| Intergovernmental | 90,205 | - | 6,711 | - | 565,344 | 68,351 | 730,611 |
| Other | - | 23,372 | - | - | - | - | 23,372 |
| Advances to other funds | - | 616,294 | - | - | - | - | 616,294 |
| Due from other funds | 147,445 | 912,935 | 17,037 | 133,381 | 348,160 | 22,526 | 1,581,484 |
| Other | 111,966 | 8,579 | 31,511 | - | - | - | 152,056 |
| Total assets | \$ 10,075,696 | \$ 5,316,369 | \$ 1,733,616 | \$ 2,291,300 | \$ 1,968,355 | \$ 283,279 | \$ 21,668,615 |
| Liabilities | | | | | | | |
| Accounts payable and accruals | \$ 1,302,901 | \$ - | \$ 434,629 | \$ 57,165 | \$ 180,836 | \$ 135,724 | \$ 2,111,255 |
| Due to other funds | 38,831 | 44,370 | 166,316 | 369,089 | 55,865 | 39,325 | 713,796 |
| Unearned revenue | - | - | - | - | - | 51,293 | 51,293 |
| Advances from other funds | - | - | - | 616,294 | - | - | 616,294 |
| Total liabilities | 1,341,732 | 44,370 | 600,945 | 1,042,548 | 236,701 | 226,342 | 3,492,638 |
| Deferred inflows of resources: | | | | | | | |
| Unavailable revenue | 2,088,480 | 3,003,511 | 573,758 | - | 457,869 | - | 6,123,618 |
| Advance tax collections | 751,589 | - | - | - | - | - | 751,589 |
| Total deferred inflows of resources | 2,840,069 | 3,003,511 | 573,758 | - | 457,869 | - | 6,875,207 |
| Fund balances (deficits): | | | | | | | |
| Nonspendable | - | 616,294 | 31,511 | - | - | - | 647,805 |
| Restricted | - | - | 527,402 | 1,248,752 | 1,273,785 | 56,937 | 3,106,876 |
| Committed | - | 1,652,194 | - | - | - | - | 1,652,194 |
| Assigned | 744,511 | - | - | - | - | - | 744,511 |
| Unassigned | 5,149,384 | - | - | - | - | - | 5,149,384 |
| Total fund balances | 5,893,895 | 2,268,488 | 558,913 | 1,248,752 | 1,273,785 | 56,937 | 11,300,770 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 10,075,696 | \$ 5,316,369 | \$ 1,733,616 | \$ 2,291,300 | \$ 1,968,355 | \$ 283,279 | |

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

| | |
|--|--------------|
| Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the Town as a whole. | 116,650,989 |
| Deferred inflows of resources - unavailable revenue | 6,123,618 |
| Deferred outflows of resources - deferred amounts on refunding | 933,379 |
| Deferred inflow - pension credit | (745,485) |
| Deferred outflow - pension expense | 1,593,663 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (71,625,152) |
| 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. | 76,322 |
| Accrued interest payable not recorded in the funds. | (494,325) |

Net position of governmental activities

\$ 63,813,779

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2016

| | Major Funds | | | | | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------|------------------------------|---------------------|-------------------------------|---------------------------------|--|--------------------------------|
| | General | Sewer Assessments Fund | Water Department | Bonded Capital Projects | Capital Nonrecurring Fund | | |
| Revenues | | | | | | | |
| Property tax assessments and lien fees | \$ 51,942,736 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 51,942,736 |
| Intergovernmental | 14,377,198 | - | - | 757,797 | 7,041 | 1,199,210 | 16,341,246 |
| Other revenues | - | - | - | - | 30,186 | - | 30,186 |
| Charges for services | 6,535,884 | 980,372 | 2,534,536 | - | 146,200 | 792,773 | 10,989,765 |
| Investment income | 42,089 | 1,624 | - | 5,771 | 2,690 | 2 | 52,176 |
| Total revenues | 72,897,907 | 981,996 | 2,534,536 | 763,568 | 186,117 | 1,991,985 | 79,356,109 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | 6,436,717 | - | - | - | - | - | 6,436,717 |
| Public safety | 3,944,019 | - | - | - | - | - | 3,944,019 |
| Public works | 3,850,269 | 49,194 | 2,106,698 | - | 88,722 | - | 6,094,883 |
| Health and welfare | 270,956 | - | - | - | - | - | 270,956 |
| Culture and recreation | 2,503,818 | - | - | - | - | 3,003 | 2,506,821 |
| Education | 50,487,799 | - | - | - | - | 1,831,079 | 52,318,878 |
| Capital outlay | 1,541,203 | - | - | 2,281,881 | 3,669,176 | - | 7,492,260 |
| Debt Service: | | | | | | | |
| Principal retirements | 3,978,408 | - | - | - | 2,640,000 | - | 6,618,408 |
| Interest and other charges | 1,303,586 | - | 463,741 | - | - | - | 1,767,327 |
| Total expenditures | 74,316,775 | 49,194 | 2,570,439 | 2,281,881 | 6,397,898 | 1,834,082 | 87,450,269 |
| Excess (deficiency) of revenues over (under) expenditures | (1,418,868) | 932,802 | (35,903) | (1,518,313) | (6,211,781) | 157,903 | (8,094,160) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers in | 852,464 | - | 40,000 | - | 329,800 | - | 1,222,264 |
| Transfers (out) | (329,800) | (923,514) | (50,676) | - | - | - | (1,303,990) |
| Issuance of capital lease | 769,729 | - | - | - | - | - | 769,729 |
| Bond premium | - | - | - | - | 159,833 | - | 159,833 |
| Issuance of bond anticipation notes | - | - | - | - | 740,000 | - | 740,000 |
| Issuance of general obligation bonds | - | - | - | 1,160,000 | 5,030,000 | - | 6,190,000 |
| Total other financing sources (uses) | 1,292,393 | (923,514) | (10,676) | 1,160,000 | 6,259,633 | - | 7,777,836 |
| Change in fund balances | (126,475) | 9,288 | (46,579) | (358,313) | 47,852 | 157,903 | (316,324) |
| Fund balances, beginning | 6,020,370 | 2,259,200 | 605,492 | 1,607,065 | 1,225,933 | (100,966) | 11,617,094 |
| Fund balances, ending | \$ 5,893,895 | \$ 2,268,488 | \$ 558,913 | \$ 1,248,752 | \$ 1,273,785 | \$ 56,937 | \$ 11,300,770 |

See notes to financial statements.

Town of East Lyme, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016**

| | |
|---|-----------------------|
| Net change in fund balances – total governmental funds | \$ (316,324) |
| 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. | 1,474,942 |
| Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (632,311) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 262,568 |
| 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. | (2,498,172) |
| The net revenue of certain activities of internal service funds is reported with governmental activities. | <u>69,147</u> |
| Change in net position of governmental activities | <u>\$ (1,640,150)</u> |
| See notes to financial statements. | |

Town of East Lyme, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2016

| | Business-Type Activities Enterprise Funds | Governmental Activities Internal Service Fund |
|---|---|---|
| | Sewer Department | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 462,513 | \$ 905,390 |
| Receivables: | | |
| User charges | 498,231 | - |
| Other | 29,239 | 55,069 |
| Due from other funds | 66,279 | 60,860 |
| Inventory | 14,478 | - |
| Total current assets | <u>1,070,740</u> | <u>1,021,319</u> |
| Noncurrent assets: | | |
| Capital assets, net of accumulated depreciation | 46,015,104 | - |
| Total noncurrent assets | <u>46,015,104</u> | <u>-</u> |
| Total assets | <u>47,085,844</u> | <u>1,021,319</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 13,485 | 17,093 |
| Meter deposits | 3,595 | - |
| Claims payable | - | 907,323 |
| Unearned revenue | - | 7,279 |
| Due to other funds | 981,325 | 13,302 |
| Compensated absences | 58,895 | - |
| Total liabilities | <u>1,057,300</u> | <u>944,997</u> |
| Net position: | | |
| Net investment in capital assets | 46,015,104 | - |
| Unrestricted | 13,440 | 76,322 |
| Total net position | <u>\$ 46,028,544</u> | <u>\$ 76,322</u> |

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2016

| | Business-Type Activities Enterprise Funds | Governmental Activities |
|--|---|-----------------------------|
| | Sewer Department | Internal Service Fund |
| Operating revenues: | | |
| Charges for services and other | \$ 2,117,830 | \$ 8,662,718 |
| Total operating revenues | <u>2,117,830</u> | <u>8,662,718</u> |
| Operating expenses: | | |
| General and administrative | 69,904 | 728,065 |
| Labor and maintenance | 1,995,153 | - |
| Claims | - | 7,865,506 |
| Depreciation | 887,502 | - |
| Total operating expenses | <u>2,952,559</u> | <u>8,593,571</u> |
| Operating (loss) | <u>(834,729)</u> | <u>69,147</u> |
| Transfers and other financing sources: | | |
| Transfers in | 81,726 | - |
| | <u>81,726</u> | <u>-</u> |
| Change in net position | (753,003) | 69,147 |
| Net position, beginning | 46,781,547 | 7,175 |
| Net position, ending | <u>\$ 46,028,544</u> | <u>\$ 76,322</u> |

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

| | Business-Type Activities Enterprise Funds | Governmental Activities |
|--|---|-----------------------------|
| | Sewer Department | Internal Service Fund |
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 2,074,293 | \$ - |
| Payments to suppliers | (1,532,461) | - |
| Payment to employees | (593,632) | - |
| Receipts from premiums | - | 8,737,329 |
| Cash paid for claims and administration | - | (9,116,992) |
| Net cash provided by (used in) operating activities | (51,800) | (379,663) |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (150,000) | - |
| Net cash used in capital and related financing activities | (150,000) | - |
| Cash flows from noncapital financing activities: | | |
| Transfers in | 81,726 | - |
| Net cash provided by noncapital financing activities | 81,726 | - |
| Net decrease in cash and cash equivalents | (120,074) | (379,663) |
| Cash and cash equivalents: | | |
| Beginning | 582,587 | 1,285,053 |
| Ending | \$ 462,513 | \$ 905,390 |

(Continued)

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2016

| | Business-Type Activities Enterprise Funds | Governmental Activities |
|--|---|-----------------------------|
| | Sewer Department | Internal Service Fund |
| <hr/> | | |
| Reconciliation of operating (income) loss to net | | |
| Cash used in operating activities: | | |
| Operating income (loss) | \$ (834,729) | \$ 69,147 |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 887,502 | - |
| (Increase) decrease in: | | |
| Inventory | (3,400) | - |
| Receivables | (43,537) | 67,332 |
| Due from other funds | (26,613) | 69 |
| Increase (decrease) in: | | |
| Accounts and other payables | (30,003) | (527,690) |
| Unearned revenue | - | 7,279 |
| Due to other funds | (1,020) | 4,200 |
| | <hr/> | <hr/> |
| Net cash used in operating activities | \$ (51,800) | \$ (379,663) |
| | <hr/> | <hr/> |

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2016

| | Pension Trust Fund | Private Purpose Trusts | Agency Funds |
|--|--------------------------|------------------------------|------------------|
| Assets | | | |
| Cash | \$ - | \$ 112,012 | \$ 1,720,982 |
| Investments | 19,497,426 | - | - |
| Total assets | 19,497,426 | 112,012 | 1,720,982 |
| Liabilities | | | |
| Due to other funds | - | 200 | - |
| Payable to others | - | - | 1,200,187 |
| Due to student groups | - | - | 520,795 |
| Total liabilities | - | 200 | 1,720,982 |
| Net position - restricted for pension benefits and other purposes | \$ 19,497,426 | \$ 111,812 | \$ - |

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

| | Pension Trust Fund | Private Purpose Trusts |
|---|--------------------------|------------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 999,740 | \$ - |
| Plan members | 174,972 | - |
| Other | - | 27,545 |
| Total contributions | 1,174,712 | 27,545 |
| Investment income: | | |
| Net depreciation in fair value of investments | (103,613) | - |
| Interest income | - | 168 |
| Total investment income (loss) | (103,613) | 168 |
| Total additions | 1,071,099 | 27,713 |
| Deductions: | | |
| Benefits | 484,425 | - |
| Administration | 14,285 | - |
| Other | - | 200 |
| Total deductions | 498,710 | 200 |
| Change in net position | 572,389 | 27,513 |
| Net position - restricted for pension benefits and other, beginning | 18,925,037 | 84,299 |
| Net position - restricted for pension benefits and other, ending | \$ 19,497,426 | \$ 111,812 |

See notes to financial statements.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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.

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Governmental Funds

The Town reports the following major governmental funds:

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

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

The *Water Department Fund* accounts for revenues for water usage.

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

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

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. 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. These investments are carried at amortized cost.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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:

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

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

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

Long-term obligations: In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond principal premiums and discounts are deferred and amortized over the life the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources related to pensions and advance tax collections in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

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

Other Postemployment Benefits (OPEB) Accounting:

OPEB Trust

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

Governmental Funds and Governmental Activities

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Funding Policy

The Town makes annual contributions based on management decisions.

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

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

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

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

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

Nonspendable Fund Balance – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed Fund Balance – This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision-making authority (Town of East Lyme Board of Finance). Amounts remain committed until action is taken by the Board of Finance (resolution) to remove or revise the limitations.

Assigned Fund Balance – Amounts constrained for the intent to be used for a specific purpose by the Director of Finance that has been delegated authority to assign amounts by the Board of Finance.

Unassigned Fund Balance – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

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

| | |
|---|------------------------|
| Bonds payable | \$ (43,230,440) |
| Drinking water notes | (6,545,368) |
| Bond anticipation notes | (740,000) |
| Bond premium | (1,275,906) |
| OPEB obligations | (7,875,600) |
| Compensated absences | (2,197,678) |
| Capital leases payable | (1,978,795) |
| Early retirement incentive | (351,900) |
| Net pension liability | (6,575,595) |
| Landfill closure | (153,870) |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u>\$ (70,925,152)</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 | \$ 6,465,982 |
| Loss on disposal of assets | (40,531) |
| Depreciation expense | (4,950,509) |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 1,474,942</u> |

Town of East Lyme, Connecticut

Notes to Financial Statements

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

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

| | |
|--|------------------------------|
| Debt issued or incurred: | |
| Issuance of general obligation debt | \$ (6,190,000) |
| Issuance of bond anticipation notes | (740,000) |
| Bond premium | (159,834) |
| Capital lease | (769,729) |
| Principal repayments and amortizations: | |
| General obligation debt | 4,000,000 |
| Bond anticipation notes | 2,955,000 |
| Capital lease | 903,774 |
| Amortization of deferred charges | (281,084) |
| Amortization of bond premium | 240,475 |
| Drinking water notes | 303,966 |
| | <hr/> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <hr/> \$ 262,568 <hr/> |

Another element of that reconciliation states that "Some expenses/liabilities 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 | \$ (715,200) |
| Compensated absences | (350,705) |
| Early retirement incentives | 36,146 |
| Accrued interest | 54,270 |
| Net pension liability | (1,128,142) |
| Pension credit | (524,957) |
| Pension expense | 816,416 |
| Claims and other | (700,000) |
| Landfill closure | 14,000 |
| | <hr/> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <hr/> \$ (2,498,172) <hr/> |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments

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, 2016, \$15,753,000 of the Town's bank balance of \$17,253,000 was uninsured and uncollateralized.

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

Town of East Lyme, Connecticut

Notes to Financial Statements

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2016:

| | |
|---|----------------------|
| Cash and cash equivalents: | |
| Deposits with financial institutions | \$ 12,346,974 |
| State of Connecticut Short-Term Investment Fund | 1,407,898 |
| Total cash and cash equivalents | <u>13,754,872</u> |
| Investments: | |
| Pension trust funds: | |
| Fixed income funds | 5,334,141 |
| Mutual funds | 14,163,285 |
| | <u>19,497,426</u> |
| General fund: | |
| Certificates of deposit | 2,005,557 |
| | <u>2,005,557</u> |
| Total investments | <u>21,502,983</u> |
| Total cash, cash equivalents and investments | <u>\$ 35,257,855</u> |

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

| | |
|--|----------------------|
| Statement of net position: | |
| Cash and cash equivalents | \$ 11,921,878 |
| Investments | 2,005,557 |
| | <u>13,927,435</u> |
| Fiduciary funds: | |
| Cash and cash equivalents | 1,832,994 |
| Investments | 19,497,426 |
| | <u>21,330,420</u> |
| Total cash, cash equivalents and investments | <u>\$ 35,257,855</u> |

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

| Type of Investment | Fair Value | Investment Maturities (in Years) | |
|---------------------|---------------------|----------------------------------|-------------|
| | | Less Than 1 Year | 6-10 Years |
| Pooled fixed income | \$ 1,407,898 | \$ 1,407,898 | \$ - |
| Fixed income funds | 5,334,141 | 5,334,141 | - |
| Total | <u>\$ 6,742,039</u> | <u>\$ 6,742,039</u> | <u>\$ -</u> |

Town of East Lyme, Connecticut

Notes to Financial Statements

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

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

| Average Rating | Fixed Income Funds | Pooled Fixed Income |
|----------------|--------------------------|---------------------------|
| AAA | \$ 1,190,964 | \$ - |
| AAAm | - | 1,407,898 |
| AA | 430,579 | - |
| A | 478,496 | - |
| BBB | 934,400 | - |
| BB | 1,070,229 | - |
| B | 854,106 | - |
| Below B | 309,124 | - |
| Other | 66,243 | - |
| | \$ 5,334,141 | \$ 1,407,898 |

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2016:

| | Fair Value Measurements Using | | |
|---------------------------------------|--|---|---|
| | Quoted Prices in Active Markets for Identical Assets June 30, 2016 (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Observable Inputs (Level 3) |
| Investments by fair value level: | | | |
| Fixed income | \$ 5,334,141 | \$ - | \$ 5,334,141 |
| Mutual funds | 19,497,426 | - | 19,497,426 |
| Total investments by fair value level | 24,831,567 | - | 24,831,567 |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|--|-------------------------|--------------|----------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 13,588,047 | \$ 550,000 | \$ - | \$ 14,138,047 |
| Construction in progress | 8,653,458 | 55,404 | (4,026,076) | 4,682,786 |
| Total capital assets, not being depreciated | 22,241,505 | 605,404 | (4,026,076) | 18,820,833 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 125,332,053 | 512,594 | - | 125,844,647 |
| Machinery and equipment | 7,449,165 | 1,131,705 | (55,307) | 8,525,563 |
| Vehicles | 8,373,885 | 1,436,969 | (350,000) | 9,460,854 |
| Infrastructure | 22,325,158 | 6,642,386 | - | 28,967,544 |
| Water distribution systems | 29,418,666 | 163,000 | - | 29,581,666 |
| Total capital assets, being depreciated | 192,898,927 | 9,886,654 | (405,307) | 202,380,274 |
| Total capital assets | 215,140,432 | 10,492,058 | (4,431,383) | 221,201,107 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 60,758,385 | 2,159,806 | - | 62,918,191 |
| Machinery and equipment | 4,504,019 | 359,054 | (49,776) | 4,813,297 |
| Vehicles | 4,265,752 | 487,075 | (315,000) | 4,437,827 |
| Infrastructure | 17,895,864 | 1,326,856 | - | 19,222,720 |
| Water distribution systems | 12,540,365 | 617,718 | - | 13,158,083 |
| Total accumulated depreciation | 99,964,385 | 4,950,509 | (364,776) | 104,550,118 |
| Total capital assets, being depreciated, net | 92,934,542 | 4,936,145 | (40,531) | 97,830,156 |
| Governmental activities capital assets, net | \$ 115,176,047 | \$ 5,541,549 | \$ (4,066,607) | \$ 116,650,989 |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 4. Capital Assets (Continued)

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|--|-------------------------|---------------------|-------------|--------------------------|
| 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 | <u>623,015</u> | - | - | <u>623,015</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 5,090,394 | - | - | 5,090,394 |
| Machinery and equipment | 660,736 | - | - | 660,736 |
| Sewer distribution systems | 58,971,453 | 150,000 | - | 59,121,453 |
| Total capital assets, being depreciated | <u>64,722,583</u> | 150,000 | - | <u>64,872,583</u> |
| Total capital assets | <u>65,345,598</u> | 150,000 | - | <u>65,495,598</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,925,358 | 91,627 | - | 2,016,985 |
| Machinery and equipment | 553,465 | 10,858 | - | 564,323 |
| Sewer distribution systems | 16,114,169 | 785,017 | - | 16,899,186 |
| Total accumulated depreciation | <u>18,592,992</u> | 887,502 | - | <u>19,480,494</u> |
| Total capital assets, being depreciated, net | <u>46,129,591</u> | (737,502) | - | <u>45,392,089</u> |
| Total business-type activities capital assets, net | <u>\$ 46,752,606</u> | <u>\$ (737,502)</u> | <u>\$ -</u> | <u>\$ 46,015,104</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government: | \$ 1,628,759 |
| Public safety | 308,166 |
| Public works | 903,494 |
| Recreation | 74,203 |
| Education | 2,035,887 |
| Total depreciation expense - governmental activities | <u>\$ 4,950,509</u> |
| Business-type activities: | |
| Sewer | \$ 887,502 |
| Total depreciation expense - business-type activities | <u>\$ 887,502</u> |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 5. Interfund Receivables, Payables and Transfers

A summary of interfund balances as of June 30, 2016 is presented below:

| | Due From Other Funds | Due To Other Funds |
|--|-------------------------|-----------------------|
| General Fund | \$ 147,445 | \$ 38,831 |
| Sewer Assessments Fund | 912,935 | 44,370 |
| Water Department | 17,037 | 166,316 |
| Bonded Capital Projects Fund | 133,381 | 369,089 |
| Capital Nonrecurring Fund | 348,160 | 55,865 |
| Non-Major Governmental Funds and other | 22,526 | 39,325 |
| Enterprise Funds | 66,279 | 981,325 |
| Internal Service Fund | 60,860 | 13,302 |
| Private Purpose Trust | - | 200 |
| Grand total | <u>\$ 1,708,623</u> | <u>\$ 1,708,623</u> |

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

\$616,294 due to the Sewer Assessments Fund from the Bonded Capital Project Fund is a long-term advance as it will not be paid in the short-term.

Interfund transfers during the year ended June 30, 2016 were as follows:

| | Transfers From Other Funds | Transfers To Other Funds |
|---------------------------|-------------------------------|-----------------------------|
| General Fund | \$ 852,464 | \$ 329,800 |
| Sewer Assessments Fund | - | 923,514 |
| Capital Nonrecurring Fund | 329,800 | - |
| Water Department | 40,000 | 50,676 |
| Enterprise Funds | 81,726 | - |
| Grand total | <u>\$ 1,303,990</u> | <u>\$ 1,303,990</u> |

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 6. Unearned Revenue/Deferred Inflows of Resources

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

| | Deferred Inflows | Unearned Revenues |
|--|---------------------|----------------------|
| General Fund: | | |
| Delinquent property taxes receivable and interest | \$ 2,082,256 | \$ - |
| Intergovernmental | 5,309 | - |
| Other | 915 | - |
| Sewer Assessments Fund: | | |
| Sewer assessments not yet due | 3,003,511 | - |
| Water Department Fund: | | |
| Water usage unbilled | 573,758 | - |
| Capital Nonrecurring Fund: | | |
| Intergovernmental | 457,869 | - |
| Other Nonmajor Governmental Funds: | | |
| Grant drawdowns prior to meeting all eligibility requirements | - | 51,293 |
| Total deferred inflows/unearned revenue | <u>\$ 6,123,618</u> | <u>\$ 51,293</u> |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities

A summary of changes in outstanding long-term obligations during the year ended June 30, 2016 is as follows:

| Description | Balance July 1, 2015 | Additions | Deductions | Balance June 30, 2016 | Due Within One Year |
|---|-------------------------|----------------------|---------------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 41,040,440 | \$ 6,190,000 | \$ 4,000,000 | \$ 43,230,440 | \$ 4,020,000 |
| Bond anticipation notes | 2,955,000 | 740,000 | 2,955,000 | 740,000 | - |
| Drinking water notes | 6,849,334 | - | 303,966 | 6,545,368 | 312,960 |
| Bond premium | 1,356,547 | 159,834 | 240,475 | 1,275,906 | 232,899 |
| | <u>52,201,321</u> | <u>7,089,834</u> | <u>7,499,441</u> | <u>51,791,714</u> | <u>4,565,859</u> |
| Other long-term liabilities: | | | | | |
| OPEB obligations | 7,160,400 | 715,200 | - | 7,875,600 | - |
| Compensated absences | 1,846,973 | 600,705 | 250,000 | 2,197,678 | 260,000 |
| Capital lease obligations | 2,112,840 | 769,729 | 903,774 | 1,978,795 | 781,126 |
| Claims and other | - | 700,000 | - | 700,000 | 700,000 |
| Early retirement incentives | 388,046 | 284,230 | 320,376 | 351,900 | 187,125 |
| Net pension liability | 5,447,453 | 1,128,142 | - | 6,575,595 | - |
| Landfill closure | 167,870 | - | 14,000 | 153,870 | 14,000 |
| Total other long-term liabilities | <u>17,123,582</u> | <u>4,198,006</u> | <u>1,488,150</u> | <u>19,833,438</u> | <u>1,942,251</u> |
| Governmental activity long-term liabilities | <u>\$ 69,324,903</u> | <u>\$ 11,287,840</u> | <u>\$ 8,987,591</u> | <u>\$ 71,625,152</u> | <u>\$ 6,508,110</u> |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

General obligation bonds - governmental activities: As of June 30, 2016, 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, 2015 | Additions | Deductions | Refunded | Balance June 30, 2016 |
|---|-----------------|---------------|------------------|---------------|----------------------|--------------|--------------|----------|-----------------------|
| General Purpose | | | | | | | | | |
| CIP Var, Darrow, Roads | \$ 6,970,000 | 7/26/12 | 7/25/32 | 2.0-4.0% | \$ 6,970,000 | \$ - | \$ 315,000 | \$ - | \$ 6,655,000 |
| Open Space & Radio Upgrade | 1,295,000 | 2/2/12 | 7/15/29 | 2.0-3.0% | 1,295,000 | - | 35,000 | - | 1,260,000 |
| TIF, Tech, & CIP | 135,000 | 4/18/11 | 7/15/16 | 2.0-5.0% | 32,000 | - | 32,000 | - | - |
| Land Acq, Road, Fire Pump | 3,860,000 | 2/9/11 | 2/9/31 | 2.0-5.0% | 175,000 | - | 175,000 | - | - |
| Open Space | 918,000 | 2/10/10 | 7/15/26 | 2.0-5.0% | 713,000 | - | 74,000 | - | 639,000 |
| Ref Var, Athletic Complex | 6,930,000 | 7/24/14 | 7/15/30 | 2.0-4.0% | 6,930,000 | - | - | - | 6,930,000 |
| Var Cl,Rds, Peretz FFD Ap | 5,120,000 | 7/23/15 | 7/15/35 | 2.0-4.0% | - | 5,120,000 | - | - | 5,120,000 |
| Total general purpose | | | | | 16,115,000 | 5,120,000 | 631,000 | - | 20,604,000 |
| Schools | | | | | | | | | |
| CIP Culinary, Music Wall, Var | 750,000 | 7/26/12 | 7/15/32 | .65% - 3.1% | 750,000 | - | 35,000 | - | 715,000 |
| HS Roof & School Reno | 1,693,000 | 2/2/12 | 7/15/28 | 2.0-3.0% | 1,693,000 | - | 3,000 | - | 1,690,000 |
| ELMS, Roof, School CIP | 6,876,000 | 4/18/11 | 7/15/21 | 2.0-5.0% | 4,405,000 | - | 780,000 | - | 3,625,000 |
| ELMS, HS Roof & Ren Ref | 7,785,000 | 2/10/10 | 7/15/24 | 2.0-5.0% | 5,777,000 | - | 762,000 | - | 5,015,000 |
| ELHS & Pool Refunding | 3,969,000 | 7/16/09 | 7/15/19 | 3.0-4.0% | 1,774,000 | - | 465,000 | - | 1,309,000 |
| CO Roof, Tennis Court, Network | 1,774,000 | 7/24/14 | 7/15/30 | 2.0-4.0% | - | 1,070,000 | - | - | 1,070,000 |
| Total schools | | | | | 14,399,000 | 1,070,000 | 2,045,000 | - | 13,424,000 |
| Sewer | | | | | | | | | |
| Pine Grove Sewer | 580,000 | 2/2/12 | 7/15/28 | 2.0-3.0% | 580,000 | - | 1,000 | - | 579,000 |
| Sewer Const. - Ref 92 7 95 | 4,955,000 | 4/18/11 | 7/15/18 | 2.0-5.0% | 2,405,000 | - | 780,000 | - | 1,625,000 |
| Pine Grove Sewer Refund | 2,182,000 | 2/10/10 | 7/15/26 | 2.0-5.0% | 1,715,000 | - | 174,000 | - | 1,541,000 |
| Clean Water Phase III | 8,588,195 | 12/30/94 | 12/21/14 | 2.0% | 440 | - | - | - | 440 |
| Logger Hill, Ref | 916,000 | 7/24/14 | 7/15/30 | 2.0-4.0% | 916,000 | - | 61,000 | - | 855,000 |
| Total sewers | | | | | 5,616,440 | - | 1,016,000 | - | 4,600,440 |
| Water Bonds | | | | | | | | | |
| DWSRF 2012-7010 | 360,516 | 6/30/13 | 12/31/32 | 2.0% | 319,922 | - | 15,424 | - | 304,498 |
| Various Water Projects | 1,000,000 | 7/26/12 | 7/15/32 | 2.0-4.0% | 1,000,000 | - | 100,000 | - | 900,000 |
| 2012 Ref Bonds 2009 | 3,762,000 | 2/12/12 | 7/15/29 | 2.0-3.0% | 3,762,000 | - | 126,000 | - | 3,636,000 |
| DWSRF/ARRA 2010-8003 | 401,454 | 12/29/11 | 6/30/31 | 2.06% | 329,246 | - | 17,558 | - | 311,688 |
| Water Bonds - ref 98 | 239,000 | 4/18/11 | 7/15/16 | 2.0-5.0% | 58,000 | - | 58,000 | - | - |
| Refunding | 90,000 | 7/24/14 | 7/15/30 | 2.0-4.0% | 90,000 | - | 24,000 | - | 66,000 |
| DWSRF 2013-7022 | 6,526,492 | 6/30/15 | 6/30/34 | 2.0% | 6,200,167 | - | 270,984 | - | 5,929,183 |
| Total water | | | | | 11,759,335 | - | 611,966 | - | 11,147,369 |
| Total bonds/notes - governmental activities | | | | | \$ 47,889,774 | \$ 6,190,000 | \$ 4,303,966 | \$ - | \$ 49,775,808 |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

The following is a summary as of June 30, 2016, of the future principal and interest requirements for the Town's bond indebtedness - governmental activities excluding the bond anticipation notes and drinking water notes:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 4,020,000 | \$ 1,268,898 | \$ 5,288,898 |
| 2018 | 4,175,000 | 1,139,673 | 5,314,673 |
| 2019 | 3,750,000 | 1,019,398 | 4,769,398 |
| 2020 | 3,250,000 | 915,952 | 4,165,952 |
| 2021 | 3,245,000 | 811,731 | 4,056,731 |
| 2022-2026 | 12,140,000 | 2,784,753 | 14,924,753 |
| 2027-2031 | 8,835,000 | 1,231,254 | 10,066,254 |
| 2032-2034 | 3,815,440 | 252,176 | 4,067,616 |
| Total | <u>\$ 43,230,440</u> | <u>\$ 9,423,835</u> | <u>\$ 52,654,275</u> |

Bond anticipation notes and subsequent event: The Town has \$740,000 of tax-exempt general obligation bond anticipation notes (BANS) outstanding as of June 30, 2016. The notes bear interest at 1.0%. The Notes matured on July 21, 2016.

Bond anticipation note transactions for the year ended June 30, 2016 were as follows:

| | |
|----------------------------|-------------------|
| Outstanding, July 1, 2015 | \$ 3,695,000 |
| New borrowings | 740,000 |
| Repayments | (3,695,000) |
| Outstanding, June 30, 2016 | <u>\$ 740,000</u> |

On July 21, 2016, the Town issued \$9,680,000 of general obligation bonds and general obligation refunding bonds. Bond anticipation notes of \$740,000 at June 30, 2016, with an original maturity of July 21, 2016, were paid off and permanently financed with this issue.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

Drinking water fund notes: The Town has drinking water notes in the amount of \$6,545,368. The notes bear interest at 2.0%, are payable in equal monthly installments and mature on December 31, 2034. The following is a summary as of June 30, 2016, of the future principal and interest requirements for the Town's drinking water notes - governmental activities:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 312,960 | \$ 113,283 | \$ 426,243 |
| 2018 | 319,288 | 107,646 | 426,934 |
| 2019 | 325,744 | 101,897 | 427,641 |
| 2020 | 332,331 | 96,031 | 428,362 |
| 2021 | 339,050 | 90,046 | 429,096 |
| 2022-2026 | 1,800,898 | 356,354 | 2,157,252 |
| 2027-2031 | 1,990,479 | 187,354 | 2,177,833 |
| 2032-2036 | 1,124,618 | 24,905 | 1,149,523 |
| Total | <u>\$ 6,545,368</u> | <u>\$ 1,077,516</u> | <u>\$ 7,622,884</u> |

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2016 consists of the following:

| | |
|-----------------|----------------------|
| General purpose | \$ 7,075,000 |
| Schools | 261,066 |
| Sewer | 4,366,046 |
| | <u>\$ 11,702,112</u> |

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

| Category | Debt Limit | Indebtedness | Balance |
|-----------------|----------------|---------------|---------------|
| General purpose | \$ 117,363,141 | \$ 28,419,000 | \$ 88,944,141 |
| Schools | 234,726,282 | 13,685,066 | 221,041,216 |
| Sewers | 195,605,235 | 8,966,486 | 186,638,749 |
| Urban renewal | 169,524,537 | - | 169,524,537 |
| Pension deficit | 156,484,188 | - | 156,484,188 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$364,446,635.

Capital lease: At June 30, 2016, the Town and the Board of Education are committed under leases for vehicles and miscellaneous instruments. These lease agreements qualify as capital leases for accounting purposes (title transfers at the beginning of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The equipment is carried at approximately \$5,675,000, with approximately \$3,926,000, in accumulated depreciation.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

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

| | | |
|-----------------------------------|----|-------------------------|
| 2017 | \$ | 805,606 |
| 2018 | | 643,531 |
| 2019 | | 358,925 |
| 2020 | | 190,756 |
| 2021 | | 26,700 |
| Total | | <u>2,025,518</u> |
| Less amount representing interest | | <u>(46,723)</u> |
| | \$ | <u><u>1,978,795</u></u> |

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, 2016, \$320,376 was paid for these benefits. At June 30, 2016, approximately \$351,900 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 \$153,870 as of June 30, 2016. The liability is accrued in the governmental activities. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

Note 9. Risk Management

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

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

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 9. Risk Management (Continued)

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

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

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

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

| | Liability July 1, | Current Year Claims And Changes in Estimates | Claim Payments | Liability June 30, |
|-----------|----------------------|---|-------------------|-----------------------|
| 2014-2015 | \$ 472,288 | \$ 9,303,970 | \$ 8,680,156 | \$ 1,096,102 |
| 2015-2016 | 1,096,102 | 7,676,727 | 7,865,506 | 907,323 |

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

Note 10. Contingent Liabilities

The Town has been named as defendant in several claims and legal actions. The Town's management, based upon consultation with legal counsel, estimates that the potential claims against the Town are approximately \$700,000.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans

Statement of Plan Net Position
June 30, 2016

| | Pension Trust funds | | |
|--|--------------------------|----------------------------|---------------------------|
| | Retirement Pension Trust | Defined Contribution Trust | Total Pension Trust Funds |
| Assets | | | |
| Investments: | | | |
| Mutual funds | \$ 12,991,526 | \$ 1,171,759 | \$ 14,163,285 |
| Fixed income funds | 5,334,141 | - | 5,334,141 |
| Total investments | <u>18,325,667</u> | <u>1,171,759</u> | <u>19,497,426</u> |
| Total net position | <u>18,325,667</u> | <u>1,171,759</u> | <u>19,497,426</u> |
| Net position - restricted for pension benefits | <u>\$ 18,325,667</u> | <u>\$ 1,171,759</u> | <u>\$ 19,497,426</u> |

Statement of Changes in Plan Net Position
Year Ended June 30, 2016

| | Pension Trust funds | | |
|---|--------------------------|----------------------------|---------------------------|
| | Retirement Pension Trust | Defined Contribution Trust | Total Pension Trust Funds |
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 926,720 | \$ 73,020 | \$ 999,740 |
| Plan members | 132,826 | 42,146 | 174,972 |
| Total contributions | <u>1,059,546</u> | <u>115,166</u> | <u>1,174,712</u> |
| Investments: | | | |
| Net depreciation in fair value of investments | (68,603) | (35,010) | (103,613) |
| Total investment loss | <u>(68,603)</u> | <u>(35,010)</u> | <u>(103,613)</u> |
| Total additions | <u>990,943</u> | <u>80,156</u> | <u>1,071,099</u> |
| Deductions: | | | |
| Benefits | 409,749 | 74,676 | 484,425 |
| Administration | 13,850 | 435 | 14,285 |
| Total deductions | <u>423,599</u> | <u>75,111</u> | <u>498,710</u> |
| Changes in net position | <u>567,344</u> | <u>5,045</u> | <u>572,389</u> |
| Restricted net position, beginning | <u>17,758,323</u> | <u>1,166,714</u> | <u>18,925,037</u> |
| Restricted net position, ending | <u>\$ 18,325,667</u> | <u>\$ 1,171,759</u> | <u>\$ 19,497,426</u> |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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.

Classes of employees covered: At January 1, 2016, the date of the last actuarial valuation, membership in the plan consisted of the following:

| | | |
|--|-----|-------|
| Retirees and beneficiaries currently receiving benefits | | 44 |
| Terminated employees entitled to benefits but not yet receiving them | | 22 |
| Inactive participants | | - |
| Current employees | | |
| Vested | 112 | |
| Nonvested | 74 | 186 |
| | | <hr/> |
| | | 252 |

Benefit provisions:

Eligibility

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

Normal retirement date

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

Normal retirement benefit:

Firefighters:

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

Firefighter COLA:

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

Police officers:

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

Police COLA:

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

Summary of significant accounting policies and plan asset matters:

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

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

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

Concentrations: The Town does have a formal policy; however, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

The following represents the investments of the pension plans that represent more than 5% of the plan's net position as of June 30, 2016:

| | |
|--|--------------|
| Amer Fds Fundamental Investors INV OPT | \$ 1,192,633 |
| Eaton Vance Atlanta Cap SMID-CAP A | 1,846,397 |
| Loomis Sayles Bond Inv. Opt. | 1,305,477 |
| MFS International Value Inv Opt | 1,024,257 |
| Franklin Temp Conservative Alloc A | 1,564,906 |
| MFS Total Return A | 1,465,351 |
| Janus Balanced A | 1,004,452 |
| Putnam High Yield Advantage A | 1,595,188 |
| T. Rowe Price Equity Income | 1,469,966 |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2016 were as follows:

| Retirement Pension Trust | 2016 | 2015 |
|--|---------------------|---------------------|
| Total pension liability | \$ 24,382,345 | \$ 23,172,985 |
| Plan fiduciary net position | 17,806,750 | 17,725,532 |
| Net pension liability | <u>\$ 6,575,595</u> | <u>\$ 5,447,453</u> |
| Plan fiduciary net position as a percentage of total pension liability | 73.03% | 76.49% |

Money-weighted rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -0.21%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, which was projected forward to the measurement date of June 30, 2016:

| | |
|------------------------|---|
| Actuarial Method Used: | Entry Age Normal Cost Method |
| Amortization Method: | Level Amortization, Closed |
| Mortality Basis: | RP2000 Generational Mortality Table using Scale AA. |
| Investment Return: | 7.00% per year, including 2.0% for inflation |
| Salary Scale: | 4.50% per annum |

The Town's funding policy is to contribute the actuary's recommended contribution each year. The contribution is calculated as the normal cost under the projected unit credit funding method, plus an amortization of the plan's unfunded liability over 20 years from January 1, 2016, as a level percentage of pay.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic equity | 40.00% | 7.00% |
| International equity | 20.00% | 7.00% |
| Fixed income | 35.00% | 2.00% |
| Real estate | 0.00% | 0.00% |
| Cash | 5.00% | 1.00% |
| | 100.00% | |

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

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

| Retirement Pension Trust | 1% Decrease 6.00% | Current Discount Rate | | 1% Increase 8.00% |
|--------------------------|-------------------|-----------------------|--|-------------------|
| | | 7.00% | | |
| Net Pension Liability | \$ 9,658,171 | \$ 6,575,595 | | \$ 3,978,944 |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

Changes in the Net Pension Liability

| | Retirement Pension Trust | | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 6/30/15 | \$ 23,172,985 | \$ 17,725,532 | \$ 5,447,453 |
| Changes for the year: | | | |
| Service cost | 619,574 | - | 619,574 |
| Interest | 1,651,380 | - | 1,651,380 |
| Difference between expected and actual experience | (651,845) | - | (651,845) |
| Contributions - employer | - | 926,720 | (926,720) |
| Contributions - members | - | 132,826 | (132,826) |
| Net investment income | - | (36,983) | 36,983 |
| Benefit payments, including refunds of employee contributions | (409,749) | (409,749) | - |
| Administrative expense | - | (13,850) | 13,850 |
| Other | - | (517,746) | 517,746 |
| Net changes | 1,209,360 | 81,218 | 1,128,142 |
| Balances at 6/30/16 | \$ 24,382,345 | \$ 17,806,750 | \$ 6,575,595 |

For the year ended June 30, 2016, the Town recognized pension expense of \$1,763,403. As of June 30, 2016, the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions in the statement of net position from the following sources:

| Retirement Pension Trust | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 745,485 |
| Net difference between projected and actual earnings on pension plan investments | 1,593,663 | - |
| Total | \$ 1,593,663 | \$ 745,485 |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

| Year ended June 30: | Retirement Pension Trust |
|---------------------|--------------------------------|
| 2017 | \$ 320,106 |
| 2018 | 320,106 |
| 2019 | 320,105 |
| 2020 | 125,794 |
| 2021 | (126,888) |
| Thereafter | (111,045) |

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, 2016, there were 14 plan members. The Town contributed \$73,020.

Connecticut State Teachers' Retirement System:

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

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

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained at www.ct.gov.

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

Summary of significant accounting policies: For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,059,000 as payments made by the State of Connecticut on-behalf of the Town. The Town does not have any liability for teacher pensions.

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

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

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

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

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

Employees are required to contribute 6.0% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2015/2016 school year, \$1,454,286 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$20,059,000.

Employers are not required to make contributions to the Plan.

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

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

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

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

Teachers' Retirement

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

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 11. Retirement Plans (Continued)

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

Sensitivity of the proportionate share of the net pension liability (NPL) to changes in the discount rate: The following presents the State's proportionate share of the net pension liability (NPL) associated with the Town, calculated using the discount rate of 8.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.50 percent) or 1-percentage-point higher (9.50 percent) than the current rate. The Town has not accrued any of the liability as the responsibility for the liability is with the State.

| | 1% Decrease 7.50% | Current Discount Rate 8.50% | 1% Increase 9.50% |
|---|-------------------------|-----------------------------------|-------------------------|
| State's portion of the NPL associated with the Town | \$ 72,470,700 | \$ 57,467,120 | \$ 44,713,967 |

Pension liabilities, pension expense, and deferred inflows/outflows of resources: The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the State net pension liability that was associated with the Town was \$57,467,120 and 100% of the collective net pension liability is allocated to the State. The Town has no proportionate share of the liability.

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

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2016, the Town recognized \$4,604,564 as the amount expended by the State on behalf of the Town to meet the State's funding requirements in the Statement of Activities.

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

Note 12. Other Post-Employment Benefits

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

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 12. Other Post-Employment Benefits (Continued)

Plan description and funding policy: The Town provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. The latest actuarial valuation was made July 1, 2014. The post-retirement plan does not issue stand-alone financial reports.

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

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation.

| | |
|---|-----|
| Retirees and beneficiaries receiving benefits | 43 |
| Active plan members | 446 |
| Total | 489 |

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

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

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|---------------------|---------------------------|---|------------------------|
| 6/30/16 | 827,600 | \$ 112,400 | 13.58% | \$ 7,875,600 |
| 6/30/15 | 1,020,400 | (21,300) | -2.09% | 7,160,400 |
| 6/30/14 | 1,015,200 | 196,700 | 19.38% | 6,118,700 |

Schedule of Funding Progress - OPEB

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded AAL | Funded Ratio | Covered Payroll (Total) | UAAL as a Percentage of Payroll Covered |
|--------------------------------|---------------------------------|-----------------------------------|-----------------|-----------------|-------------------------------|--|
| 7/1/2014 | \$ - | \$ 10,485,000 | \$ 10,485,000 | 0.0% | \$ 30,913,000 | 34.0% |

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

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 12. Other Post-Employment Benefits (Continued)

OPEB obligation:

| | |
|--|----------------------------|
| Annual required contribution | \$ 939,400 |
| Interest on net pension obligation | 286,400 |
| Adjustment to ARC | (398,200) |
| Annual OPEB cost | <u>827,600</u> |
| Contributions made | <u>112,400</u> |
| Increase in net OPEB liability | 715,200 |
| Net OPEB obligation, beginning of year | <u>7,160,400</u> |
| Net OPEB obligation, end of year | <u><u>\$ 7,875,600</u></u> |

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

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

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

| | |
|-------------------------------|--|
| Valuation Date: | July 1, 2014 |
| Actuarial Cost Method: | Projected Unit Credit |
| Asset Valuation Method: | N/A |
| Amortization Method: | Level Percent of Pay |
| Remaining Amortization Period | 30 Years – Level Dollar, Open |
| Actuarial Assumptions: | |
| Interest | 4% |
| Health cost trend rates | Starts at 9% in 2014, decrease by 0.5% per year down to 4.5% in 2023 and beyond. |

Town of East Lyme, Connecticut

Notes to Financial Statements

Note 13. Fund Balance (Deficits)

Below is a table of fund balance categories and classifications at June 30, 2016 for the Town governmental funds:

| | General Fund | Sewer Assessments Fund | Water Department Fund | Bonded Capital Projects | Capital Nonrecurring Fund | Nonmajor Governmental Funds |
|------------------------|-----------------|------------------------------|-----------------------------|-------------------------------|---------------------------------|-----------------------------------|
| Fund balances: | | | | | | |
| Non-spendable: | | | | | | |
| Advance | \$ - | \$ 616,294 | \$ - | \$ - | \$ - | \$ - |
| Inventory | - | - | 31,511 | - | - | - |
| | - | 616,294 | 31,511 | - | - | - |
| Restricted: | | | | | | |
| Recreation | - | - | - | - | - | 22,528 |
| Education | - | - | - | - | - | 34,409 |
| | - | - | - | - | - | 56,937 |
| Committed: | | | | | | |
| Public works | - | 1,652,194 | - | - | - | - |
| Capital projects | - | - | - | 1,248,752 | 1,273,785 | - |
| | - | 1,652,194 | - | 1,248,752 | 1,273,785 | - |
| Assigned: | | | | | | |
| Public works | 58,223 | - | 527,402 | - | - | - |
| Public safety | 3,621 | - | - | - | - | - |
| Recreation | 140,955 | - | - | - | - | - |
| General government | 74,254 | - | - | - | - | - |
| Capital projects | 5,851 | - | - | - | - | - |
| Education | 461,607 | - | - | - | - | - |
| | 744,511 | - | 527,402 | - | - | - |
| Unassigned (deficits): | | | | | | |
| | 5,149,384 | - | - | - | - | - |
| Total fund balances | \$ 5,893,895 | \$ 2,268,488 | \$ 558,913 | \$ 1,248,752 | \$ 1,273,785 | \$ 56,937 |

Note 14. Governmental Accounting Standards Board (GASB) Statements

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

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 75, which will most likely have a material impact, though the amount has not yet been determined:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
 - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.

Town of East Lyme, Connecticut

Notes to Financial Statements

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

- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

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

Note 16. Subsequent Event

On July 21, 2016, the Town issued \$9,680,000 general obligation refunding bonds to partially refund the 2011 and 2012 bond issuances and to fund various capital projects. The interest rates range from 2% to 4% and have a final maturity of July 15, 2032.

**Required Supplementary
Information - Unaudited**

**Required Supplementary Information - Unaudited
Schedules of Employer Contributions
Last Ten Fiscal Years**

Schedule of Employer Contributions - Retirement Pension Trust

| Year Ended June 30, | Actuarially Determined Contribution | Contributions in Relations to the Actuarially Determined Contribution | (Excess) Deficiency | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---------------------|-------------------------------------|---|---------------------|-----------------|--|
| 2007 | \$ 531,455 | \$ 531,455 | \$ - | \$ 6,635,165 | 8.0% |
| 2008 | 605,163 | 605,163 | - | 6,714,774 | 9.0% |
| 2009 | 675,251 | 675,251 | - | 7,219,904 | 9.4% |
| 2010 | 750,941 | 750,941 | - | 7,641,981 | 9.8% |
| 2011 | 850,037 | 850,037 | - | 7,318,648 | 11.6% |
| 2012 | 835,942 | 835,942 | - | 7,920,142 | 10.6% |
| 2013 | 953,049 | 953,049 | - | 8,484,665 | 11.2% |
| 2014 | 1,050,824 | 1,031,092 | (19,732) | 8,559,474 | 12.0% |
| 2015 | 1,076,823 | 1,076,823 | - | 8,573,798 | 12.6% |
| 2016 | 926,720 | 938,749 | 12,029 | 8,524,401 | 11.0% |

Methods and assumptions used to determine contribution rates:

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

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

| Retirement Pension Trust | 2016 | 2015 | 2014 |
|---|---------------------|---------------------|---------------------|
| Changes in Net Pension Liability | | | |
| Total pension liability: | | | |
| Service cost | \$ 619,574 | \$ 620,611 | \$ 607,102 |
| Interest on total pension liability | 1,651,380 | 1,541,759 | 1,516,865 |
| Differences between expected and actual experience | (651,845) | (256,503) | - |
| Benefit payments | (409,749) | (270,218) | (254,567) |
| Net change in total pension liability | 1,209,360 | 1,635,649 | 1,869,400 |
| Total pension liability, beginning | 23,172,985 | 21,537,336 | 19,667,936 |
| Total pension liability, ending (a) | 24,382,345 | 23,172,985 | 21,537,336 |
| Fiduciary net position: | | | |
| Employer contributions | 926,720 | 1,076,823 | 1,031,092 |
| Member contributions | 132,826 | 172,854 | 133,430 |
| Investment income net of investment expenses | (36,983) | 220,349 | 2,037,638 |
| Benefit payments | (409,749) | (270,218) | (254,567) |
| Administrative expenses | (13,850) | (39,500) | (2,900) |
| Other | (517,746) | - | - |
| Net change in plan fiduciary net position | 81,218 | 1,160,308 | 2,944,693 |
| Fiduciary net position, beginning | 17,725,532 | 16,565,224 | 13,620,531 |
| Fiduciary net position, ending (b) | 17,806,750 | 17,725,532 | 16,565,224 |
| Net pension liability, ending = (a) - (b) | \$ 6,575,595 | \$ 5,447,453 | \$ 4,972,112 |
| Fiduciary net position as a % of total pension liability | 73.03% | 76.49% | 76.91% |
| Covered payroll | \$ 8,524,401 | \$ 8,573,798 | \$ 8,559,474 |
| Net pension liability as a % of covered payroll | 77.14% | 63.54% | 58.09% |
| Required Supplementary Information - Unaudited | | | |
| Schedule of Investment Returns | | | |
| June 30, 2016 | 2016 | 2015 | 2015 |
| Annual money-weighted rate of return, net of investment expense | -0.21% | 1.30% | 14.90% |

Required Supplementary Information - Unaudited
Schedule of the Town's Proportionate Share of the Net Pension Liability - Teacher' Retirement System
Last Two Fiscal Years

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>\$ 57,467,120</u> | <u>\$ 53,116,835</u> |
| Total | <u>\$ 57,467,120</u> | <u>\$ 53,116,835</u> |
| Town's covered-employee payroll | <u>\$ 20,059,000</u> | <u>\$ 20,060,000</u> |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | <u>0.00%</u> | <u>0.00%</u> |
| System fiduciary net position as a percentage of the total pension liability | <u>59.50%</u> | <u>61.51%</u> |

Notes to Schedule

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

**Required Supplementary Information - Unaudited
 Schedule of Funding Progress and Employer Contributions - OPEB
 Last Six Fiscal Years**

Schedule of Funding Progress - OPEB

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded AAL | Funded Ratio | Covered Payroll (Total) | UAAL as a Percentage of Payroll Covered |
|--------------------------|---------------------------|-----------------------------|---------------|--------------|-------------------------|---|
| 7/1/2008 | \$ - | \$ 12,751,400 | \$ 12,751,400 | 0.0% | \$ 24,900,000 | 51.2% |
| 7/1/2010 | - | 13,999,300 | 13,999,300 | 0.0% | 24,572,000 | 57.0% |
| 7/1/2012 | - | 11,457,200 | 11,457,200 | 0.0% | 24,107,000 | 47.5% |
| 7/1/2014 | - | 10,485,000 | 10,485,000 | 0.0% | 30,913,000 | 34.0% |

Schedule of Employer Contributions - OPEB

| Year Ended June 30, | Annual Required Contribution | Actual Contribution | Percentage Contributed |
|---------------------|------------------------------|---------------------|------------------------|
| 06/30/11 | \$ 1,163,800 | \$ 240,700 | 21.20% |
| 06/30/12 | 1,271,200 | (5,900) | (0.48)% |
| 06/30/13 | 1,290,300 | (21,800) | 1.78% |
| 06/30/14 | 1,098,000 | 196,700 | 17.91% |
| 06/30/15 | 1,116,000 | (21,300) | -1.91% |
| 06/30/16 | 939,400 | 112,400 | 11.97% |

Required Supplementary Information - Unaudited
Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual -
General Fund
For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual Budgetary Basis | Variance With Final Budget |
|--|--------------------|--------------------|------------------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes, interest and lien fees | \$ 51,594,275 | \$ 51,594,275 | \$ 51,942,736 | \$ 348,461 |
| Intergovernmental | 9,123,112 | 9,551,549 | 9,318,198 | (233,351) |
| Charges for services | 4,831,551 | 4,835,551 | 4,771,095 | (64,456) |
| Income from investments | 33,000 | 33,000 | 41,959 | 8,959 |
| Total revenues | 65,581,938 | 66,014,375 | 66,073,988 | 59,613 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,912,764 | 6,733,742 | 6,411,242 | 322,500 |
| Public safety | 3,885,500 | 4,004,654 | 3,944,019 | 60,635 |
| Public works | 3,610,747 | 4,023,406 | 3,850,269 | 173,137 |
| Health and welfare | 269,490 | 279,592 | 270,956 | 8,636 |
| Culture and recreation | 2,016,436 | 2,030,995 | 2,040,608 | (9,613) |
| Education | 44,033,080 | 44,033,080 | 44,032,089 | 991 |
| Capital outlay | 1,099,705 | 1,154,689 | 1,101,275 | 53,414 |
| Debt service | 5,317,606 | 5,317,606 | 5,281,994 | 35,612 |
| Total expenditures | 67,145,328 | 67,577,764 | 66,932,452 | 645,312 |
| Excess (deficiency) of revenues over (under) expenditures | (1,563,390) | (1,563,389) | (858,464) | 704,925 |
| Other financing sources: | | | | |
| Transfers in | 913,390 | 913,390 | 862,102 | (51,288) |
| Use of Fund Balance | 650,000 | 650,000 | - | (650,000) |
| Total other financing sources | 1,563,390 | 1,563,390 | 862,102 | (701,288) |
| Total | \$ - | \$ 1 | \$ 3,638 | \$ 3,637 |

See notes to required supplementary information - unaudited.

Town of East Lyme, Connecticut

Note to Required Supplementary Information – Unaudited

Note 1. Budgets and Budgetary Accounting

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

- A budget for the general fund is authorized by the Board of Finance. The Board of Finance follows these procedures in establishing the budgetary data reflected in the financial statements:
 - The citizens of the Town vote on the recommended budget.
 - The Board of Finance sets the tax rate for the fiscal year.
 - All budget transfers must be approved by the Board of Finance.
 - All unencumbered appropriations of the general fund lapse at year-end.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.
- The Board of Education is authorized under State law to make any transfers within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over \$10,000, Town Meeting approval.
- During the year, additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen act on the requests, which, if approved, are sent to the Board of Finance. The Board of Finance then acts on the requests.
- Any additional appropriation requires approval at a Town Meeting if it exceeds \$10,000 or is a second request by the asking board commission or department. Additional appropriations for the year ended June 30, 2016 aggregated \$432,436 for the General Fund.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except for those in the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

(Continued)

Town of East Lyme, Connecticut

Note to Required Supplementary Information – Unaudited (Continued)

Note 1. Budgets and Budgetary Accounting (Continued)

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

| | Revenues and Other Financing Sources | Expenditures and Other Financing Uses |
|---|---|--|
| Balance, budgetary basis | \$ 66,936,090 | \$ 66,932,452 |
| State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes | 5,059,000 | 5,059,000 |
| Capital lease | 769,729 | 769,729 |
| GASB 54 effect | 1,755,281 | 1,872,598 |
| Change in encumbrances | - | 12,796 |
| Balance, GAAP basis | <u>\$ 74,520,100</u> | <u>\$ 74,646,575</u> |

This page intentionally left blank.

**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, 2016

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Taxes, interest and lien fees: | | | | |
| Current taxes | \$ 50,946,075 | \$ 50,946,075 | \$ 51,059,591 | \$ 113,516 |
| Prior taxes | 400,000 | 400,000 | 557,845 | 157,845 |
| Interest and lien fees | 248,200 | 248,200 | 325,300 | 77,100 |
| Total taxes, interest and lien fees | 51,594,275 | 51,594,275 | 51,942,736 | 348,461 |
| Intergovernmental: | | | | |
| Education cost sharing | 7,138,163 | 7,138,163 | 7,150,153 | 11,990 |
| Transportation | 52,902 | 52,902 | 48,774 | (4,128) |
| Town aid roads | 160,692 | 339,360 | 340,970 | 1,610 |
| Local capital Improvement | 123,000 | 317,785 | - | (317,785) |
| Youth service bureau | 27,215 | 27,215 | 26,160 | (1,055) |
| Tax relief-telephone taxes | 50,000 | 50,000 | 50,379 | 379 |
| PILOT - state owned property | 981,854 | 981,854 | 874,190 | (107,664) |
| Pequot fund | 337,244 | 337,244 | 338,385 | 1,141 |
| PILOT - hospital and colleges | 40,859 | 40,859 | 40,854 | (5) |
| FEMA storm grant | - | 54,984 | 222,766 | 167,782 |
| Tax relief for elderly | 98,200 | 98,200 | 97,591 | (609) |
| Tax relief for disabled | 1,400 | 1,400 | 1,393 | (7) |
| Civil preparedness | 40,000 | 40,000 | 11,503 | (28,497) |
| Tax relief for veterans | 21,620 | 21,620 | 19,693 | (1,927) |
| State grant - Nuclear Safety Emer Prep (NSEP) | - | - | 3,442 | 3,442 |
| State grant - DUI | 44,963 | 44,963 | 72,032 | 27,069 |
| Other grants | 5,000 | 5,000 | 19,913 | 14,913 |
| Total intergovernmental | 9,123,112 | 9,551,549 | 9,318,198 | (233,351) |
| Charges for services: | | | | |
| Licenses and permits: | | | | |
| Building permits | 350,000 | 350,000 | 300,057 | (49,943) |
| Beach and recreation town funds | 146,750 | 146,750 | 198,909 | 52,159 |
| ZBA and planning commission | 5,140 | 5,140 | 3,540 | (1,600) |
| Conveyance tax | 230,000 | 230,000 | 280,561 | 50,561 |
| Dog licenses | 12,000 | 12,000 | 11,606 | (394) |
| Town clerk fees | 145,000 | 145,000 | 138,266 | (6,734) |
| Zoning commission - maps and permits | 25,000 | 25,000 | 30,646 | 5,646 |
| Solid waste removal license | 525 | 525 | 1,000 | 475 |
| Shellfish permits | 100 | 100 | 849 | 749 |
| Wetland Fees | 3,800 | 3,800 | 5,392 | 1,592 |

(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, 2016

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Charges for services (Continued) | | | | |
| Licenses and permits (Continued) | | | | |
| Pistol, fire, & loading | \$ 10,000 | \$ 10,000 | \$ 14,085 | \$ 4,085 |
| Mooring permits | 7,000 | 7,000 | 7,850 | 850 |
| Total licenses and permits | 935,315 | 935,315 | 992,761 | 57,446 |
| Fines and forfeits: | | | | |
| Parking fees | 10,000 | 10,000 | 10,569 | 569 |
| Extra duty - police and fire | 30,000 | 30,000 | 38,398 | 8,398 |
| TC office fees | 10,000 | 10,000 | 5,580 | (4,420) |
| TC fish and game fees | 300 | 300 | 267 | (33) |
| Total fines and forfeits | 50,300 | 50,300 | 54,814 | 4,514 |
| Charges for services: | | | | |
| Tuition - other districts | 3,096,416 | 3,096,416 | 2,991,113 | (105,303) |
| Rent - cini park | 12,260 | 12,260 | 13,449 | 1,189 |
| Debt payment - Salem | 86,705 | 86,705 | 86,705 | - |
| Tipping fees commercial | 279,000 | 279,000 | 275,775 | (3,225) |
| Transportation subsidy | 46,000 | 46,000 | 42,461 | (3,539) |
| Recycling - other | 20,000 | 20,000 | 13,620 | (6,380) |
| Recycling - newspaper/cardboard | 4,500 | 4,500 | 4,331 | (169) |
| MSW containers | 2,500 | 2,500 | 5,135 | 2,635 |
| Ambulance fund | - | - | 10,000 | 10,000 |
| Insurance rebate | 22,480 | 22,480 | 22,480 | - |
| Assessor | 3,000 | 3,000 | 2,619 | (381) |
| Aging | 32,000 | 36,000 | 37,312 | 1,312 |
| Landfill deposits | 140,000 | 140,000 | 122,799 | (17,201) |
| Financial department | 80,000 | 80,000 | 75,941 | (4,059) |
| Tax collector | 700 | 700 | 1,116 | 416 |
| Miscellaneous other | 1,500 | 1,500 | 1,025 | (475) |
| Selectman's office | 100 | 100 | 130 | 30 |
| Smith-Harris commission | 5,500 | 5,500 | 6,125 | 625 |
| Town miscellaneous | 6,500 | 6,500 | 11,384 | 4,884 |
| Water and sewer services | 6,775 | 6,775 | - | (6,775) |
| Total charges for services | 3,845,936 | 3,849,936 | 3,723,520 | (126,416) |
| Total charges for services | 4,831,551 | 4,835,551 | 4,771,095 | (64,456) |
| Income from investments: | | | | |
| Interest income | 33,000 | 33,000 | 41,959 | 8,959 |
| Total revenues | 65,581,938 | 66,014,375 | 66,073,988 | 59,613 |

(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, 2016

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Other financing sources: | | | | |
| Use of fund balance | \$ 650,000 | \$ 650,000 | \$ - | \$ (650,000) |
| Transfers in | 913,390 | 913,390 | 862,102 | (51,288) |
| | <u>1,563,390</u> | <u>1,563,390</u> | <u>862,102</u> | <u>(701,288)</u> |
| Total revenues and other financing sources | <u>\$ 67,145,328</u> | <u>\$ 67,577,765</u> | <u>\$ 66,936,090</u> | <u>\$ (641,675)</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, 2016**

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| General government: | | | | |
| First selectman | \$ 226,517 | \$ 231,127 | \$ 228,203 | \$ 2,924 |
| Assessor's office | 204,608 | 211,932 | 207,751 | 4,181 |
| Tax collector | 162,660 | 168,822 | 167,643 | 1,179 |
| Building official | 205,319 | 212,119 | 202,099 | 10,020 |
| Town engineer | 262,451 | 276,463 | 274,676 | 1,787 |
| Town clerk | 189,407 | 202,922 | 174,739 | 28,183 |
| Health department | 135,400 | 135,400 | 135,400 | - |
| Information technology | 119,649 | 127,275 | 126,784 | 491 |
| Registrars | 98,212 | 99,433 | 95,588 | 3,845 |
| Judge of probate | 14,321 | 14,321 | 14,321 | - |
| Maintenance of town buildings | 724,376 | 732,800 | 663,513 | 69,287 |
| General government and benefits | 3,664,334 | 3,677,124 | 3,558,346 | 118,778 |
| Community services | 25,301 | 25,301 | 25,051 | 250 |
| Zoning commission | 90,624 | 96,438 | 94,027 | 2,411 |
| Planning department | 75,676 | 79,543 | 75,744 | 3,799 |
| Finance department | 272,597 | 285,293 | 283,660 | 1,633 |
| Contingency funds | 346,970 | 62,535 | - | 62,535 |
| Board of finance | 37,650 | 37,650 | 37,430 | 220 |
| Board of assessment appeals | 1,530 | 1,530 | 1,024 | 506 |
| Zoning board of appeals | 980 | 980 | 354 | 626 |
| Inlands Wetlands Agency | 21,707 | 22,259 | 18,658 | 3,601 |
| Conservation of natural resources commission | 1,500 | 1,500 | 1,423 | 77 |
| Waterford/ East Lyme shellfish commission | 2,500 | 2,500 | 2,500 | - |
| Smith-Harris commission | 16,750 | 16,750 | 16,370 | 380 |
| Town building committee | 875 | 875 | - | 875 |
| Harbor management commission | 10,850 | 10,850 | 5,938 | 4,912 |
| Total general government | 6,912,764 | 6,733,742 | 6,411,242 | 322,500 |
| Public safety: | | | | |
| Police department | 2,249,975 | 2,325,167 | 2,318,682 | 6,485 |
| Niantic fire department | 511,587 | 526,813 | 524,178 | 2,635 |
| Flanders fire department | 378,055 | 398,816 | 373,081 | 25,735 |
| Emergency management | 685,262 | 693,237 | 675,447 | 17,790 |
| Animal Control | 60,621 | 60,621 | 52,631 | 7,990 |
| Total public safety | 3,885,500 | 4,004,654 | 3,944,019 | 60,635 |
| Public works: | | | | |
| Highways and sanitation | 3,610,747 | 4,023,406 | 3,850,269 | 173,137 |
| Total public works | 3,610,747 | 4,023,406 | 3,850,269 | 173,137 |

(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, 2016

| | Budgeted Amounts | | Actual | Variance With Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Health and welfare: | | | | |
| Commission on aging | \$ 259,002 | \$ 269,104 | \$ 262,223 | \$ 6,881 |
| Visiting nurses association | 10,488 | 10,488 | 8,733 | 1,755 |
| Total health and welfare | 269,490 | 279,592 | 270,956 | 8,636 |
| Board of Education | 44,033,080 | 44,033,080 | 44,032,089 | 991 |
| Culture and recreation: | | | | |
| East Lyme public library | 1,077,735 | 1,077,735 | 1,077,735 | - |
| Parks and recreation | 938,701 | 953,260 | 962,873 | (9,613) |
| Total culture and recreation | 2,016,436 | 2,030,995 | 2,040,608 | (9,613) |
| Capital outlay: | | | | |
| Town - Capital improvement program | 1,099,705 | 1,099,705 | 1,099,733 | 28 |
| Town - Special Appropriations | - | 54,984 | 1,542 | (53,442) |
| Total capital outlay | 1,099,705 | 1,154,689 | 1,101,275 | 53,414 |
| Debt service: | | | | |
| Redemption of debt - principal | 3,980,613 | 3,980,613 | 3,978,408 | (2,205) |
| Interest payments | 1,336,993 | 1,336,993 | 1,303,586 | (33,407) |
| Total debt service | 5,317,606 | 5,317,606 | 5,281,994 | 35,612 |
| Total expenditures and encumbrances | \$ 67,145,328 | \$ 67,577,764 | \$ 66,932,452 | \$ 645,312 |

(Concluded)

This page intentionally left blank.

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, 2016

| | School Lunch Fund | Special Revenue Special Education Grant Fund | Historic Preservation Fund | Permanent Fund McCook Memorial Fund | Total Nonmajor Funds |
|---|----------------------|---|----------------------------------|---|----------------------------|
| Assets | | | | | |
| Cash | \$ 105,870 | \$ 85,619 | \$ - | \$ 913 | \$ 192,402 |
| Intergovernmental receivables | 36,531 | 31,820 | - | - | 68,351 |
| Due from other funds | - | - | 22,526 | - | 22,526 |
| Total assets | \$ 142,401 | \$ 117,439 | \$ 22,526 | \$ 913 | \$ 283,279 |
| Liabilities | | | | | |
| Accounts payable | \$ 107,992 | \$ 27,732 | \$ - | \$ - | \$ 135,724 |
| Due to other funds | - | 38,414 | - | 911 | 39,325 |
| Unearned revenue | - | 51,293 | - | - | 51,293 |
| Total liabilities | 107,992 | 117,439 | - | 911 | 226,342 |
| Fund balances (deficits): | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 34,409 | - | 22,526 | 2 | 56,937 |
| Total fund balances | 34,409 | - | 22,526 | 2 | 56,937 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 142,401 | \$ 117,439 | \$ 22,526 | \$ 913 | \$ 283,279 |

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, 2016

| | Special Revenue | | | Permanent | Total Nonmajor Funds |
|--|----------------------|------------------------------------|----------------------------------|-----------------------------|----------------------------|
| | School Lunch Fund | Special Education Grant Fund | Historic Preservation Fund | McCook Memorial Funds | |
| Revenues: | | | | | |
| Intergovernmental | \$ 303,768 | \$ 892,442 | \$ 3,000 | \$ - | \$ 1,199,210 |
| Charges for services | 784,917 | - | 7,856 | - | 792,773 |
| Interest income | - | - | - | 2 | 2 |
| Total revenues | 1,088,685 | 892,442 | 10,856 | 2 | 1,991,985 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Culture and recreation | - | - | 3,003 | - | 3,003 |
| Education | 938,637 | 892,442 | - | - | 1,831,079 |
| Total expenditures | 938,637 | 892,442 | 3,003 | - | 1,834,082 |
| Excess (deficiency) of revenues over (under) expenditures | 150,048 | - | 7,853 | 2 | 157,903 |
| Fund balances (deficits) | | | | | |
| Beginning | (115,639) | - | 14,673 | - | (100,966) |
| Fund balances Ending | \$ 34,409 | \$ - | \$ 22,526 | \$ 2 | \$ 56,937 |

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, 2016

| | Private-Purpose Trust Funds | | |
|--|---------------------------------------|-------------------------------|---|
| | N. Parahus Senior Citizens Fund | Clarence A. Haynes Fund | Total Private Purpose Trust Funds |
| Assets | | | |
| Cash | \$ 33,819 | \$ 3,117 | \$ 36,936 |
| Investments | 75,076 | - | 75,076 |
| Total assets | 108,895 | 3,117 | 112,012 |
| Liabilities | | | |
| Due to other funds | 200 | - | 200 |
| Total liabilities | 200 | - | 200 |
| Net position held in trust for Other purposes | \$ 108,695 | \$ 3,117 | \$ 111,812 |

Town of East Lyme, Connecticut

Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

| | Private-Purpose Trust Funds | | |
|--------------------------------|---------------------------------------|-------------------------------|---|
| | N. Parahus Senior Citizens Fund | Clarence A. Haynes Fund | Total Private Purpose Trust Funds |
| Additions: | | | |
| Contributions | | | |
| Private | \$ 27,545 | \$ - | \$ 27,545 |
| Total contributions | 27,545 | - | 27,545 |
| Investments: | | | |
| Interest income | 166 | 2 | 168 |
| Total investment income | 166 | 2 | 168 |
| Deductions: | | | |
| Expense | 200 | - | 200 |
| Changes in net position | 27,511 | 2 | 27,513 |
| Net position, beginning | 81,184 | 3,115 | 84,299 |
| Net position, ending | \$ 108,695 | \$ 3,117 | \$ 111,812 |

Town of East Lyme, Connecticut

Combining Statement of Changes in Assets and Liabilities -
Agency Funds
June 30, 2016

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|----------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Assets | | | | |
| Cash and cash equivalents: | | | | |
| Student activity fund | \$ 621,577 | \$ 1,129,059 | \$ 1,229,841 | \$ 520,795 |
| Performance bonds | 1,208,842 | - | 8,655 | 1,200,187 |
| Total assets | 1,830,419 | 1,129,059 | 1,238,496 | 1,720,982 |
| Liabilities | | | | |
| Student Activity Fund | \$ 621,577 | \$ 1,129,059 | \$ 1,229,841 | \$ 520,795 |
| Performance Bonds | 1,208,842 | - | 8,655 | 1,200,187 |
| Total liabilities | \$ 1,830,419 | \$ 1,129,059 | \$ 1,238,496 | \$ 1,720,982 |

This page intentionally left blank.

**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, 2016**

| | |
|--|------------------------------|
| Governmental funds capital assets: | |
| Land | \$ 14,138,047 |
| Construction in progress | 4,682,786 |
| Buildings and improvements | 125,844,647 |
| Machinery and equipment | 8,525,563 |
| Vehicles | 9,460,854 |
| Infrastructure | 28,967,544 |
| Water distribution system | <u>29,581,666</u> |
| Total governmental funds capital assets | <u>\$ 221,201,107</u> |

This page intentionally left blank.

Other Schedules

Town of East Lyme, Connecticut

Balance Sheet - By Account - General Fund
June 30, 2016

| | General Fund | Board of Education Special Fund | Regional Probate District 32 | Parks and Recreation Fund | Eliminate Interfund Receivables | Totals |
|---|---------------------|---------------------------------------|------------------------------------|---------------------------------|---------------------------------------|----------------------|
| Assets | | | | | | |
| Cash | \$ 5,046,592 | \$ 461,607 | \$ - | \$ - | \$ - | \$ 5,508,199 |
| Investments | 2,005,557 | - | - | - | - | 2,005,557 |
| Intergovernmental Receivables | 82,605 | - | - | 7,600 | - | 90,205 |
| Property Taxes | 2,163,099 | - | - | - | - | 2,163,099 |
| Assessments/User Charges | 49,225 | - | - | - | - | 49,225 |
| Other | 111,966 | - | - | - | - | 111,966 |
| Due from Other Funds | 147,445 | - | 22,737 | 154,113 | (176,850) | 147,445 |
| Total assets | \$ 9,606,489 | \$ 461,607 | \$ 22,737 | \$ 161,713 | \$ (176,850) | \$ 10,075,696 |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,282,010 | \$ - | \$ 133 | \$ 20,758 | \$ - | \$ 1,302,901 |
| Due to other funds | 215,681 | - | - | - | (176,850) | 38,831 |
| Total liabilities | 1,497,691 | - | 133 | 20,758 | (176,850) | 1,341,732 |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenues | 2,088,480 | - | - | - | - | 2,088,480 |
| Advance tax collections | 751,589 | - | - | - | - | 751,589 |
| Total deferred inflows of resources | 2,840,069 | - | - | - | - | 2,840,069 |
| Fund balances: | | | | | | |
| Assigned | 119,345 | 461,607 | 22,604 | 140,955 | - | 744,511 |
| Unassigned | 5,149,384 | - | - | - | - | 5,149,384 |
| Total fund balances | 5,268,729 | 461,607 | 22,604 | 140,955 | - | 5,893,895 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 9,606,489 | \$ 461,607 | \$ 22,737 | \$ 161,713 | \$ (176,850) | \$ 10,075,696 |

Town of East Lyme, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account -
 General Fund
 For the Year Ended June 30, 2016

| | General Fund | Board of Education Special Fund | Regional Probate District 32 | Parks and Recreation Fund | Eliminate Interfund Transfers | Totals |
|--|--------------------|---------------------------------------|------------------------------------|---------------------------------|-------------------------------------|--------------------|
| Revenues: | | | | | | |
| Property taxes | 51,942,736 | \$ - | \$ - | \$ - | \$ - | \$ 51,942,736 |
| Intergovernmental | 14,377,198 | - | - | - | - | 14,377,198 |
| Charges for services | 4,771,095 | 1,260,397 | 38,998 | 465,394 | - | 6,535,884 |
| Interest income | 41,959 | 130 | - | - | - | 42,089 |
| Total revenues | 71,132,988 | 1,260,527 | 38,998 | 465,394 | - | 72,897,907 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Culture and recreation | 2,040,608 | - | - | 463,210 | - | 2,503,818 |
| Public works | 3,850,269 | - | - | - | - | 3,850,269 |
| Education | 49,091,089 | 1,396,710 | - | - | - | 50,487,799 |
| General government | 6,414,401 | - | 22,316 | - | - | 6,436,717 |
| Public safety | 3,944,019 | - | - | - | - | 3,944,019 |
| Health and welfare | 270,956 | - | - | - | - | 270,956 |
| Capital outlay | 1,541,203 | - | - | - | - | 1,541,203 |
| Debt service: | | | | | | |
| Principal | 3,978,408 | - | - | - | - | 3,978,408 |
| Interest | 1,303,586 | - | - | - | - | 1,303,586 |
| Total expenditures | 72,434,539 | 1,396,710 | 22,316 | 463,210 | - | 74,316,775 |
| Excess (deficiency) of revenues over (under) expenditures | (1,301,551) | (136,183) | 16,682 | 2,184 | - | (1,418,868) |
| Other financing sources (uses): | | | | | | |
| Transfers in | 862,102 | - | - | - | (9,638) | 852,464 |
| Transfers (out) | (329,800) | - | (9,638) | - | 9,638 | (329,800) |
| Issuance of capital lease | 769,729 | - | - | - | - | 769,729 |
| Total other financing sources (uses) | 1,302,031 | - | (9,638) | - | - | 1,292,393 |
| Change in fund balances | 480 | (136,183) | 7,044 | 2,184 | - | (126,475) |
| Fund balances, beginning | 5,268,249 | 597,790 | 15,560 | 138,771 | - | 6,020,370 |
| Fund balances, ending | \$ 5,268,729 | \$ 461,607 | \$ 22,604 | \$ 140,955 | \$ - | \$ 5,893,895 |

Town of East Lyme, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2016

| Grand List Year | Balance Uncollected July 1, 2015 | Current Levy | Lawful Corrections | | | Transfers to Suspense | Balance to be Collected | Collections | | | | Balance Uncollected June 30, 2016 |
|-----------------|----------------------------------|---------------|--------------------|------------|-----------|-----------------------|-------------------------|---------------|------------------------|---------------|-----------|-----------------------------------|
| | | | Additions | Deletions | | | | Taxes | Interest and Lien Fees | Total | Refunds | |
| 2000 | \$ 3,368 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,368 | \$ - | \$ - | \$ - | \$ - | \$ 3,368 |
| 2001 | 4,052 | - | - | - | - | - | 4,052 | - | - | - | - | 4,052 |
| 2002 | 5,285 | - | - | - | - | - | 5,285 | 183 | 382 | 565 | - | 5,102 |
| 2003 | 4,557 | - | - | - | - | - | 4,557 | 139 | 278 | 417 | - | 4,418 |
| 2004 | 5,500 | - | - | - | 20 | - | 5,480 | - | - | - | - | 5,480 |
| 2005 | 15,089 | - | - | - | 1,964 | - | 13,125 | 500 | 823 | 1,323 | - | 12,625 |
| 2006 | 20,274 | - | - | - | 1,910 | - | 18,364 | 377 | 598 | 975 | - | 17,987 |
| 2007 | 27,403 | - | - | - | 3,275 | - | 24,128 | 616 | 898 | 1,514 | - | 23,512 |
| 2008 | 39,889 | - | - | - | 5,555 | - | 34,334 | 2,958 | 3,419 | 6,377 | - | 31,376 |
| 2009 | 77,565 | - | - | 105 | 7,128 | - | 70,332 | 7,636 | 10,337 | 17,973 | - | 62,696 |
| 2010 | 136,502 | - | - | 171 | 8,255 | - | 128,076 | 16,489 | 17,087 | 33,576 | - | 111,587 |
| 2011 | 196,918 | - | 261 | 255 | 6,198 | - | 190,726 | 36,905 | 28,285 | 65,190 | 150 | 153,971 |
| 2012 | 346,874 | - | 1,981 | 7,635 | 2,391 | - | 338,829 | 116,695 | 39,208 | 155,903 | 316 | 222,450 |
| 2013 | 736,438 | - | 158 | 15,756 | 1,755 | - | 719,085 | 389,507 | 82,816 | 472,323 | 8,240 | 337,818 |
| 2014 | - | 51,860,820 | 84,104 | 246,731 | 2,791 | - | 51,695,402 | 51,174,382 | 133,287 | 51,307,669 | 40,319 | 561,339 |
| | \$ 1,619,714 | \$ 51,860,820 | \$ 86,504 | \$ 270,653 | \$ 41,242 | | \$ 53,255,143 | \$ 51,746,387 | \$ 317,418 | \$ 52,063,805 | \$ 49,025 | \$ 1,557,781 |

This page intentionally left blank.