

# **Town of East Lyme, Connecticut**

Financial Report  
June 30, 2017



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RSM US LLP

## Independent Auditor's Report

To the Board of Finance  
Town of East Lyme, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of East Lyme, Connecticut (the Town) as of and for the fiscal year ended June 30, 2017, 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, 2017, 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 May 11, 2018 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*RSM US LLP*

New Haven, Connecticut  
May 11, 2018

**Town of East Lyme, Connecticut**  
**Management's Discussion and Analysis - unaudited**  
**June 30, 2017**

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The management of the Town of East Lyme, Connecticut offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

**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 \$104.6 million (*net position*).

The Town's total net position decreased by \$5.2 million.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11.0 million, a decrease of \$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 \$4.8 million or 6.9% of total general fund budgeted expenditures and transfers out of \$68.9 million.

The Town's total bond/note debt decreased by \$2.2 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 \$104.6 million at the close of the fiscal year.

By far the largest portion of the Town's net position (100.08%) 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, 2017 and 2016**

	June 30, 2017			June 30, 2016		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 20,162	\$ 277	\$ 20,439	\$ 21,347	\$ 89	\$ 24,142
Capital assets	113,199	45,158	158,357	116,651	46,015	161,929
<b>Total assets</b>	<b>133,361</b>	<b>45,435</b>	<b>178,796</b>	<b>137,998</b>	<b>46,104</b>	<b>186,071</b>
Deferred outflows of resources	1,363	-	1,363	2,527	-	1,992
<b>Total deferred outflows of resources</b>	<b>1,363</b>	<b>-</b>	<b>1,363</b>	<b>2,527</b>	<b>-</b>	<b>1,992</b>
Other liabilities	10,566	242	10,808	10,097	76	11,830
Long-term liabilities	64,017	-	64,017	65,117	-	63,776
<b>Total liabilities</b>	<b>74,583</b>	<b>242</b>	<b>74,825</b>	<b>75,214</b>	<b>76</b>	<b>75,290</b>
Deferred pension amounts	619	-	619	745	-	221
Advance tax collections	73	-	73	752	-	752
<b>Total deferred inflows of resources</b>	<b>692</b>	<b>-</b>	<b>692</b>	<b>1,497</b>	<b>-</b>	<b>973</b>
Net position:						
Net investment in capital assets	67,876	45,158	113,034	60,614	46,015	107,121
Restricted	29	-	29	23	-	15
Unrestricted (deficit)	(8,456)	35	(8,421)	3,177	13	5,100
<b>Total net position</b>	<b>\$ 59,449</b>	<b>\$ 45,193</b>	<b>\$ 104,642</b>	<b>\$ 63,814</b>	<b>\$ 46,028</b>	<b>\$ 109,842</b>

**TOWN OF EAST LYME, CONNECTICUT  
SUMMARY STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 and 2016**

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charge for services	\$ 10,365	\$ 1,915	\$ 12,280	\$ 10,474	\$ 2,118	\$ 12,592
Operating grants and contributions	16,583	-	16,583	14,155	-	14,155
Capital grants and contributions	77	-	77	533	-	533
<b>General Revenues:</b>						
Property Taxes	54,361	-	54,361	52,096	-	52,096
Grants, contributions not restricted to specific programs	1,587	-	1,587	1,384	-	1,384
Miscellaneous	40	-	40	30	-	30
Investment income	58	-	58	52	-	52
<b>Total revenues</b>	<b>\$ 83,071</b>	<b>\$ 1,915</b>	<b>\$ 84,986</b>	<b>\$ 78,724</b>	<b>\$ 2,118</b>	<b>\$ 80,842</b>
<b>Expenses:</b>						
Program Activities						
Primary Government:						
General government	\$ 9,762	\$ -	\$ 9,762	\$ 7,934	\$ -	\$ 7,934
Public safety	4,584	-	4,584	4,450	-	4,450
Public works	11,046	-	11,046	8,202	-	8,202
Health and welfare	270	-	270	278	-	278
Culture and recreation	2,649	-	2,649	2,643	-	2,643
Education	58,715	-	58,715	56,566	-	56,566
Interest expense	358	-	358	209	-	209
Business-Type Activities:						
Sewer department	-	2,803	2,803	-	2,954	2,954
<b>Total expenses</b>	<b>87,384</b>	<b>2,803</b>	<b>90,187</b>	<b>80,282</b>	<b>2,954</b>	<b>83,236</b>
Transfers in (out)	(52)	52	-	(82)	82	-
<b>Change in net position</b>	<b>(4,365)</b>	<b>(836)</b>	<b>(5,201)</b>	<b>(1,640)</b>	<b>(754)</b>	<b>(2,394)</b>
<b>Net Position - beginning</b>	<b>63,814</b>	<b>46,029</b>	<b>109,843</b>	<b>65,454</b>	<b>46,782</b>	<b>112,236</b>
<b>Net Position - ending</b>	<b>\$ 59,449</b>	<b>\$ 45,193</b>	<b>\$ 104,642</b>	<b>\$ 63,814</b>	<b>\$ 46,028</b>	<b>\$ 109,842</b>

**Governmental Activities**

For governmental activities, 65.4% of the revenues were derived from property taxes, followed by 22.1% from intergovernmental revenues and 12.5% for charges for services.

Major revenue factors included:

- Property tax increase \$2.2 million due to an increase in the grand list and in the mil rate
- Charges for services decreased \$.099 million primarily due to various estimated revenues less than the original projections due to economy driven reasons
- Intergovernmental increased by \$2.175 million for grants received

For governmental activities, approximately 67.2% of the Town's expenses relate to education, 11.2% relate to general government, 12.6% relate to public works operations, 5.2% to public safety and the remaining 3.8% relate to interest expense, health and welfare, recreation and miscellaneous.

Major expense factors include:

- Public Works expenses increased \$ 2.8 million due to capital outlay.
- Education expenses increased \$2.1 million commensurate with budget increase.
- General Government expenses increased \$1.8 million due primarily to fixed costs.

### **Business-Type Activities**

Business-type activities (Sewer Department) decreased the Town's net position by \$836,005, or 1.9%. This decrease was 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 \$4.8 million, while total fund balance reached \$5.9 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 6.9% of total general fund budgeted expenditures.

The fund balance for the Town's general fund decreased by approximately \$382,720 during the current fiscal year. A key factor in this is as follows:

- Due to Education Cost Sharing Grant received being less than projected, lower than expected Building Permit Fees and, spending a higher percentage of the total budget due to leaner adopted budget.

The Sewer Assessments fund balance increased by \$.422 due the decrease in the operating transfer out to the general fund for debt service.

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

The Bonded Project Fund decreased \$.427 million due primarily to completion of funded projects.

The Capital Nonrecurring Fund decreased \$0.371 million due primarily to the completion of various capital projects.

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

Net Position of the Sewer Department at the end of the year was \$45.2 million, a decrease of \$836,005 over the prior year. Unrestricted net position for the Sewer Department reflected \$.035 of total Net Position.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$0.224 million

During the year, actual revenues, including transfers in, were \$68.9 million, which was less than budgetary estimates by \$0.543 million. Major contributors were:

- \$0.3 million greater due to better than expected aggregate tax collections
- \$0.18 million greater combined net effect for various local fee estimates
- \$0.4 million less due to various intergovernmental grants

### **General Fund Budgetary Highlights**

#### **Expenditures**

Special appropriations during the year totaled \$224,542 as follows:

- \$174 thousand for LoCIP Grant carry-over
- \$21 thousand Click It or Ticket Grant
- \$18 thousand LED Lights
- \$11 thousand NSEP Funds for various furniture and equipment

### **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, 2017, amounted to \$158.0 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 decrease in the Town's investment in capital assets for the current fiscal year was \$4.3 million, a decrease of 2.7%.

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

- Road reconstruction and improvement projects.
- The eighth 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.
- Regional Purchase with the City of New London of a Grapple Truck with a combination of State Grant and local funds.
- Delivery of a Class A Fire Engine Pumper for Flanders Fire Department.
- Site and parking improvements at 8 Capital Drive property.
- Construction of a Band Shell at McCook's Park.
- Acquisition of property easement for open space known as Goldfinch Property.
- Various building improvements.

**CAPITAL ASSETS, NET OF DEPRECIATION  
JUNE 30, 2017 AND 2016**

	June 30, 2017			June 30, 2016		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 14,488	\$ 608	\$ 15,096	\$ 14,138	\$ 608	\$ 14,746
Construction in progress	874	15	889	4,683	15	4,698
Water and Sewer distribution systems	17,099	41,437	58,536	16,424	42,222	58,646
Building and improvements	60,865	2,982	63,847	62,926	3,073	65,999
Vehicles	3,447	-	3,447	3,712	-	3,712
Machinery and equipment	5,422	116	5,538	5,023	97	5,120
Infrastructure	11,004	-	11,004	9,745	-	9,745
<b>Total</b>	<b>\$ 113,199</b>	<b>\$ 45,158</b>	<b>\$ 158,357</b>	<b>\$ 116,651</b>	<b>\$ 46,015</b>	<b>\$ 162,666</b>

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

**Long-term Debt.** At the end of the current fiscal year, the Town has total bonded debt outstanding of \$47.6 million, all of which is backed by the full faith and credit of the Town government.

**CHANGES IN TOWN DEBT  
JUNE 30, 2017 AND 2016**

	June 30, 2017			June 30, 2016		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 41,340	\$ -	\$ 41,340	\$ 43,970	\$ -	\$ 43,970
Drinking water notes	6,258	-	6,258	6,545	-	6,545
	<b>\$ 47,598</b>	<b>\$ -</b>	<b>\$ 47,598</b>	<b>\$ 50,516</b>	<b>\$ -</b>	<b>\$ 50,516</b>

The Town's total bonded debt decreased by \$2,177,529 during the 2017 fiscal year due to the net impact of scheduled pay down of debt during the fiscal year. In addition the town issued \$9.7 million bonds which included \$3.5 million refunding, \$3.8 million advance refunding and \$2.4 million permanently bonding road rehabilitation work and the acquisition of 224 Main Street. 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 2018 budget tax rates, the primary factor being the economy and uncertainty at the State level of government. Unemployment in the Town is at 4.6% and 5.3% for 2016 and 2015. This compares with the State's average unemployment rate of 5.1% and 5.6% and is .5% lower than the New London County average rate of 5.1%.

### Revenues

The Town adopted its budget estimating a reduction in state revenues in the amount of \$.128, however, due to struggling budget deficits the governor reduced our revenues by \$1.1 million. This projected shortfall is being made up by an additional \$.307 in tax revenues and by budget holdbacks of \$.545 by the Board of Education and \$.281 by the town. During the budget process expenditure reductions were made and an overall increase in taxes of \$2.3 million. There was a modest increase in the grand list of 10/1/2016 of \$25 million or .011%. Significant revenue issues were as follows:

- Net decrease in State of Connecticut revenues of \$1.1 due to State of Connecticut budget deficits
- Out of district tuition fees decreased by \$144 thousand due to enrollment estimates
- Increase in prior year tax collections of \$125 thousand due to collection analysis
- The Town maintained various local fees collected based upon trend analysis
- Increase of \$30 thousand for beach and recreation fees due to the opening of Cini Park Beach
- Increase of \$20 thousand for Conveyance Tax Fees due to increased activity
- Decrease of \$15 thousand in transfer fees due to less tons of debris being disposed of

### Expenditures

The average wage increases for town employees was 2.5% with firefighters increase being 2%. The Board of Education Secretarial Group received 2.25% and the Custodians received 2.5%. Administrators wage increases were 3.25% and teachers an average of 1% which includes steps. The Paraprofessional Group received 1.25% and the Other Non-union unaffiliated staff received 2.0%.

The Board of Education requested a budget increase of \$1.3 million; the Board of Finance reduced the bottom line by \$.225 million to \$46.5 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 amended.

All of these factors were considered in preparing the Town's budget for the 2018 fiscal year. During the current fiscal year, unassigned fund balance in the general fund decreased to \$4.8 million. The Town did appropriate \$675,000 of fund balance for spending in the 2018 fiscal year budget maintaining the prior year amount.

Overall, the fiscal year 2017 – 2018 budget was increased \$1.6 million or 2.29%. Town government increased \$636 thousand (3.65%) over fiscal year 2017, debt service increased \$120 thousand (2.29%), and the Board of Education increased \$1 million (2.38%) from the prior year. Capital improvement expenditures were decreased \$257 thousand (24.55%).

The following factors played a role in our setting the budget for fiscal year 2017 – 2018 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 2018 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 effectively doing more with less.
- Where possible, departmental operating costs have been kept to a bare minimum maintaining or decreasing the 2016/17 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 2017/2018 budget totals \$70.8 million, which represents a 2.29% increase in expenditures from the fiscal year 2017 adopted budget. The Town's mill rate increased from 25.36 to 26.16 a .80 or a 3.2% increase. Included in this increase was an additional \$.307 million to defray any unknown State of Connecticut reductions in grant funds. 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, 2017

	Governmental Type Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,636,876	\$ 633,373	\$ 7,270,249
Investments	2,360,743	-	2,360,743
Receivables:			
Property taxes, net of allowance for collection losses	2,258,512	-	2,258,512
Assessments/use charges	3,283,754	462,314	3,746,068
Intergovernmental	665,706	-	665,706
Other	362,377	29,416	391,793
Internal balances	860,292	(860,292)	-
Other assets	135,120	12,628	147,748
Restricted cash	3,598,839	-	3,598,839
Capital assets, not being depreciated	15,362,110	623,015	15,985,125
Capital assets, net of accumulated depreciation	97,836,520	44,534,599	142,371,119
<b>Total assets</b>	<b>133,360,849</b>	<b>45,435,053</b>	<b>178,795,902</b>
Deferred outflows of resources:			
Deferred pension amounts	553,520	-	553,520
Deferred charges on refundings	809,715	-	809,715
<b>Total deferred outflows of resources</b>	<b>1,363,235</b>	<b>-</b>	<b>1,363,235</b>
<b>Liabilities</b>			
Accounts payable and accruals	4,029,051	203,719	4,232,770
Accrued interest payable	536,996	-	536,996
Meter deposits	-	3,315	3,315
Unearned revenue	33,279	35,480	68,759
Long-term liabilities:			
Due within one year	5,966,992	-	5,966,992
Due in more than one year	64,017,318	-	64,017,318
<b>Total liabilities</b>	<b>74,583,636</b>	<b>242,514</b>	<b>74,826,150</b>
Deferred Inflows of resources:			
Deferred pension amounts	618,597	-	618,597
Advance tax collections	72,648	-	72,648
<b>Total deferred inflows of resources</b>	<b>691,245</b>	<b>-</b>	<b>691,245</b>
Net position:			
Net investment in capital assets	67,876,584	45,157,614	113,034,198
Restricted:			
Culture and recreation	28,534	-	28,534
Unrestricted (deficit)	(8,455,915)	34,925	(8,420,990)
<b>Total net position</b>	<b>\$ 59,449,203</b>	<b>\$ 45,192,539</b>	<b>\$ 104,641,742</b>

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 9,761,214	\$ 1,227,558	\$ -	\$ -	\$ (8,533,656)	\$ -	\$ (8,533,656)
Public safety	4,584,300	120,575	102,037	-	(4,361,688)	-	(4,361,688)
Public works	11,046,214	4,585,659	436,421	76,812	(5,947,322)	-	(5,947,322)
Health and welfare	270,214	-	25,547	-	(244,667)	-	(244,667)
Culture and recreation	2,649,119	717,316	4,000	-	(1,927,803)	-	(1,927,803)
Education	58,714,801	3,713,881	16,014,683	-	(38,986,237)	-	(38,986,237)
Interest expense	358,432	-	-	-	(358,432)	-	(358,432)
<b>Total governmental activities</b>	<b>87,384,294</b>	<b>10,364,989</b>	<b>16,582,688</b>	<b>76,812</b>	<b>(60,359,805)</b>	<b>-</b>	<b>(60,359,805)</b>
<b>Business-type activities:</b>							
Sewer department	2,803,155	1,915,150	-	-	-	(888,005)	(888,005)
<b>Total business-type activities</b>	<b>2,803,155</b>	<b>1,915,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(888,005)</b>	<b>(888,005)</b>
<b>Total primary government</b>	<b>\$ 90,187,449</b>	<b>\$ 12,280,139</b>	<b>\$ 16,582,688</b>	<b>\$ 76,812</b>	<b>(60,359,805)</b>	<b>(888,005)</b>	<b>(61,247,810)</b>
<b>General revenues:</b>							
Property taxes					54,361,259	-	54,361,259
Grants and contributions not restricted to specific programs					1,587,142	-	1,587,142
Income from investments					58,540	-	58,540
Miscellaneous					40,288	-	40,288
Transfers					(52,000)	52,000	-
<b>Total general revenues and transfers</b>					<b>55,995,229</b>	<b>52,000</b>	<b>56,047,229</b>
<b>Change in net position</b>					<b>(4,364,576)</b>	<b>(836,005)</b>	<b>(5,200,581)</b>
Net position - beginning					63,813,779	46,028,544	109,842,323
Net position - ending					<b>\$ 59,449,203</b>	<b>\$ 45,192,539</b>	<b>\$ 104,641,742</b>

See notes to financial statements.

Town of East Lyme, Connecticut

Balance Sheet - Governmental Funds

June 30, 2017

	Major Funds					Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Water Department	Bonded Capital Projects	Capital Nonrecurring Fund		
<b>Assets</b>							
Cash and cash equivalents	\$ 4,210,627	\$ 1,143,150	\$ 958,970	\$ 2,718,755	\$ 880,084	\$ 115,239	\$ 10,026,825
Investments	2,360,743	-	-	-	-	-	2,360,743
Receivables (net of allowances for collection losses):							
Property taxes	2,258,512	-	-	-	-	-	2,258,512
Assessments/use charges	51,112	2,304,294	771,676	-	-	-	3,127,082
Intergovernmental	96,457	-	2,344	51,723	412,128	103,054	665,706
Other	-	211,647	-	-	-	-	211,647
Advances to other funds	-	611,294	-	-	-	-	611,294
Due from other funds	1,337,266	794,400	16,748	133,380	426,631	28,534	2,736,959
Other	84,384	-	27,610	-	-	23,126	135,120
<b>Total assets</b>	<b>\$ 10,399,101</b>	<b>\$ 5,064,785</b>	<b>\$ 1,777,348</b>	<b>\$ 2,903,858</b>	<b>\$ 1,718,843</b>	<b>\$ 269,953</b>	<b>\$ 22,133,888</b>
<b>Liabilities</b>							
Accounts payable and accruals	\$ 2,131,106	\$ -	\$ 477,500	\$ 216,799	\$ 65,268	\$ 90,243	\$ 2,980,916
Due to other funds	52,553	31	136,290	1,231,362	338,674	12,414	1,771,324
Unearned revenue	-	-	-	-	-	25,037	25,037
Advances from other funds	-	-	-	611,294	-	-	611,294
<b>Total liabilities</b>	<b>2,183,659</b>	<b>31</b>	<b>613,790</b>	<b>2,059,455</b>	<b>403,942</b>	<b>127,694</b>	<b>5,388,571</b>
Deferred inflows of resources:							
Unavailable revenue	2,173,126	2,373,865	650,687	23,001	412,128	-	5,632,807
Advance tax collections	72,648	-	-	-	-	-	72,648
<b>Total deferred inflows of resources</b>	<b>2,245,774</b>	<b>2,373,865</b>	<b>650,687</b>	<b>23,001</b>	<b>412,128</b>	<b>-</b>	<b>5,705,455</b>
Fund balances:							
Nonspendable	-	611,294	27,610	-	-	2	638,906
Restricted	-	-	485,261	821,402	902,773	142,257	2,351,693
Committed	-	2,079,595	-	-	-	-	2,079,595
Assigned	1,203,004	-	-	-	-	-	1,203,004
Unassigned	4,766,664	-	-	-	-	-	4,766,664
<b>Total fund balances</b>	<b>5,969,668</b>	<b>2,690,889</b>	<b>512,871</b>	<b>821,402</b>	<b>902,773</b>	<b>142,259</b>	<b>11,039,862</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,399,101</b>	<b>\$ 5,064,785</b>	<b>\$ 1,777,348</b>	<b>\$ 2,903,858</b>	<b>\$ 1,718,843</b>	<b>\$ 269,953</b>	

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

Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the Town as a whole.	113,198,630
Deferred inflows of resources - unavailable revenue	5,632,807
Deferred outflows of resources - deferred amounts on refunding	809,715
Deferred inflow - pension credit	(618,597)
Deferred outflow - pension expense	553,520
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(69,984,310)
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.	(645,428)
Accrued interest payable not recorded in the funds.	(536,996)

Net position of governmental activities

\$ 59,449,203

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, 2017

	Major Funds					Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Sewer Assessments Fund	Water Department	Bonded Capital Projects	Capital Nonrecurring Fund		
<b>Revenues</b>							
Property tax assessments and lien fees	\$ 54,276,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,276,614
Intergovernmental	17,133,976	-	-	28,721	99,552	1,035,853	18,298,102
Other revenues	-	-	-	-	40,288	-	40,288
Charges for services	6,630,920	917,441	2,598,181	-	93,054	678,110	10,917,706
Investment income	41,487	3,711	-	11,629	1,713	-	58,540
<b>Total revenues</b>	<b>78,082,997</b>	<b>921,152</b>	<b>2,598,181</b>	<b>40,350</b>	<b>234,607</b>	<b>1,713,963</b>	<b>83,591,250</b>
<b>Expenditures</b>							
Current:							
General government	6,848,710	-	-	-	-	-	6,848,710
Public safety	4,207,785	-	-	-	-	-	4,207,785
Public works	3,844,951	142,052	2,108,653	4,050	-	-	6,099,706
Health and welfare	267,197	-	-	-	-	-	267,197
Culture and recreation	2,536,613	-	-	-	-	6,400	2,543,013
Education	54,395,836	-	-	-	-	1,622,241	56,018,077
Capital outlay	788,792	-	-	2,267,626	2,737,716	-	5,794,134
Debt Service:							
Principal retirements	3,976,190	-	-	-	52,751	-	4,028,941
Interest and other charges	1,307,044	-	483,570	-	-	-	1,790,614
<b>Total expenditures</b>	<b>78,173,118</b>	<b>142,052</b>	<b>2,592,223</b>	<b>2,271,676</b>	<b>2,790,467</b>	<b>1,628,641</b>	<b>87,598,177</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(90,121)</b>	<b>779,100</b>	<b>5,958</b>	<b>(2,231,326)</b>	<b>(2,555,860)</b>	<b>85,322</b>	<b>(4,006,927)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	400,894	-	-	-	235,000	-	635,894
Transfers (out)	(235,000)	(356,699)	(52,000)	-	(44,195)	-	(687,894)
Capital lease proceeds	-	-	-	1,803,976	-	-	1,803,976
Payment to escrow	(7,650,429)	-	-	-	-	-	(7,650,429)
Issuance of refunding bonds	7,320,000	-	-	-	-	-	7,320,000
Bond premium	330,429	-	-	-	374,043	-	704,472
Issuance of general obligation bonds	-	-	-	-	1,620,000	-	1,620,000
<b>Total other financing sources (uses)</b>	<b>165,894</b>	<b>(356,699)</b>	<b>(52,000)</b>	<b>1,803,976</b>	<b>2,184,848</b>	<b>-</b>	<b>3,746,019</b>
<b>Change in fund balances</b>	<b>75,773</b>	<b>422,401</b>	<b>(46,042)</b>	<b>(427,350)</b>	<b>(371,012)</b>	<b>85,322</b>	<b>(260,908)</b>
Fund balances, beginning	5,893,895	2,268,488	558,913	1,248,752	1,273,785	56,937	11,300,770
Fund balances, ending	\$ 5,969,668	\$ 2,690,889	\$ 512,871	\$ 821,402	\$ 902,773	\$ 142,259	\$ 11,039,862

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, 2017**

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Net change in fund balances – total governmental funds	\$ (260,908)
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.	(3,452,359)
Changes in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(490,811)
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.	1,677,054
Changes in some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,115,802)
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(721,750)</u>
Change in net position of governmental activities	<u>\$ (4,364,576)</u>

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Net Position - Proprietary Funds  
June 30, 2017

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 633,373	\$ 208,890
Receivables:		
User charges	462,314	-
Other	29,416	156,672
Due from other funds	2,530	60,860
Inventory	12,628	-
<b>Total current assets</b>	<u>1,140,261</u>	<u>426,422</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	45,157,614	-
<b>Total noncurrent assets</b>	<u>45,157,614</u>	<u>-</u>
<b>Total assets</b>	<u>46,297,875</u>	<u>426,422</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	147,378	180,254
Meter deposits	3,315	-
Claims payable	-	867,881
Unearned revenue	35,480	8,242
Due to other funds	862,822	15,473
Compensated absences	56,341	-
<b>Total liabilities</b>	<u>1,105,336</u>	<u>1,071,850</u>
Net position:		
Net investment in capital assets	45,157,614	-
Unrestricted (deficit)	34,925	(645,428)
<b>Total net position (deficit)</b>	<u>\$ 45,192,539</u>	<u>\$ (645,428)</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, 2017

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Department	Internal Service Fund
Operating revenues:		
Charges for services and other	\$ 1,915,150	\$ 8,015,945
<b>Total operating revenues</b>	<u>1,915,150</u>	<u>8,015,945</u>
Operating expenses:		
General and administrative	85,187	818,431
Labor and maintenance	1,826,479	-
Claims	-	7,919,264
Depreciation	891,489	-
<b>Total operating expenses</b>	<u>2,803,155</u>	<u>8,737,695</u>
<b>Operating (loss)</b>	<u>(888,005)</u>	<u>(721,750)</u>
Transfers and other financing sources:		
Transfers in	52,000	-
	<u>52,000</u>	<u>-</u>
<b>Change in net position</b>	(836,005)	(721,750)
Net position, beginning	46,028,544	76,322
Net position (deficit), ending	<u>\$ 45,192,539</u>	<u>\$ (645,428)</u>

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,986,370	\$ -
Payments to suppliers	(1,251,000)	-
Payment to employees	(582,511)	-
Receipts from premiums	-	7,915,305
Cash paid for claims and administration	-	(8,611,805)
<b>Net cash provided by (used in)         operating activities</b>	<u>152,859</u>	<u>(696,500)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(33,999)	-
<b>Net cash used in capital and related         financing activities</b>	<u>(33,999)</u>	<u>-</u>
Cash flows from noncapital financing activities:		
Transfers in	52,000	-
<b>Net cash provided by noncapital         financing activities</b>	<u>52,000</u>	<u>-</u>
<b>Net increase (decrease) in cash and         cash equivalents</b>	170,860	(696,500)
Cash and cash equivalents:		
Beginning	<u>462,513</u>	<u>905,390</u>
Ending	<u><u>\$ 633,373</u></u>	<u><u>\$ 208,890</u></u>

(Continued)

Town of East Lyme, Connecticut

Statement of Cash Flows - Proprietary Funds (Continued)  
For the Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Department	
Reconciliation of operating loss to net		
Cash used in operating activities:		
Operating loss	\$ (888,005)	\$ (721,750)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	891,489	-
(Increase) decrease in:		
Inventory	1,850	-
Receivables	35,740	(101,603)
Due from other funds	63,749	-
Increase (decrease) in:		
Accounts and other payables	131,059	123,719
Unearned revenue	35,480	963
Due to other funds	(118,503)	2,171
	<u>\$ 152,859</u>	<u>\$ (696,500)</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 152,859</b>	<b>\$ (696,500)</b>

See notes to financial statements.

Town of East Lyme, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2017

	Pension Trust Fund	Private Purpose Trusts	Agency Funds
<b>Assets</b>			
Cash	\$ -	\$ 107,263	\$ 1,874,297
Investments	22,058,341	-	-
Receivables	6,671	-	-
Due from other funds	-	50	-
<b>Total assets</b>	<u>22,065,012</u>	<u>107,313</u>	<u>1,874,297</u>
<b>Liabilities</b>			
Due to other funds	-	1,050	149,730
Payable to others	-	-	1,088,254
Due to student groups	-	-	486,583
<b>Total liabilities</b>	<u>-</u>	<u>1,050</u>	<u>1,724,567</u>
<b>Net position - restricted for pension benefits and other purposes</b>	<u>\$ 22,065,012</u>	<u>\$ 106,263</u>	<u>\$ 149,730</u>

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, 2017

	Pension Trust Fund	Private Purpose Trusts
Additions:		
Contributions:		
Employer	\$ 1,103,284	\$ -
Plan members	186,676	-
Other	-	6,226
<b>Total contributions</b>	<b>1,289,960</b>	<b>6,226</b>
Investment income:		
Net appreciation in fair value of investments	2,452,915	-
Interest income	-	941
<b>Total investment income</b>	<b>2,452,915</b>	<b>941</b>
<b>Total additions</b>	<b>3,742,875</b>	<b>7,167</b>
Deductions:		
Benefits	1,133,069	-
Administration	42,220	-
Other	-	12,716
<b>Total deductions</b>	<b>1,175,289</b>	<b>12,716</b>
<b>Change in net position</b>	<b>2,567,586</b>	<b>(5,549)</b>
Net position - restricted for pension benefits and other, beginning	19,497,426	111,812
Net position - restricted for pension benefits and other, ending	<b>\$ 22,065,012</b>	<b>\$ 106,263</b>

See notes to financial statements.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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

**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

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#### 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, assessments, 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 resources 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 resources and expenditures associated with major capital asset construction projects and/or purchases.

The **Capital Nonrecurring Fund** is used to account for resources 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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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

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

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

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

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

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

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

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

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

**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.



## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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

**Restricted cash:** Certain assets are classified as restricted because their availability is limited. Restricted cash is to be used for debt service, capital leases and construction purposes.

**Allowance for doubtful accounts:** Property tax, user charges and assessments 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. The Town also invests in certificates of deposits which are recorded 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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

**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 judgment.

**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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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.

**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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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

**Funding policy:** The Town makes annual contributions based on management decisions.

**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

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

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

Bonds payable	\$ (41,340,000)
Drinking water notes	(6,258,278)
Bond premium	(1,663,913)
OPEB obligations	(8,734,000)
Compensated absences	(1,826,106)
Capital leases payable	(2,707,600)
Early retirement incentive	(804,866)
Net pension liability	(5,809,677)
Landfill closure	<u>(139,870)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (69,284,310)</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	\$ 1,889,403
Loss on disposal of assets	(36,554)
Depreciation expense	<u>(5,305,208)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (3,452,359)</u>

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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

Debt issued or incurred:	
Issuance of general obligation debt	\$ (2,280,000)
Bond refunding	(7,400,000)
Bond premium	(704,472)
Deferred charges	100,429
Capital lease	(1,803,976)
Principal repayments and amortizations:	
General obligation debt	11,570,440
Bond anticipation notes	740,000
Capital lease	1,075,171
Amortization of deferred charges	(224,093)
Amortization of bond premium	316,465
Drinking water notes	287,090
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,677,054</u>

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	\$ (858,400)
Compensated absences	371,572
Early retirement incentives	(452,966)
Accrued interest	(42,671)
Net pension liability	765,918
Pension credit	(700,222)
Pension expense	(213,033)
Landfill closure	14,000
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,115,802)</u>

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### 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, 2017, \$12,490,046 of the Town's bank balance of \$15,405,268 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, 2017:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 11,902,338
State of Connecticut - Short-Term Investment Fund	948,310
Total cash and cash equivalents	<u>12,850,648</u>
Investments:	
Pension trust funds:	
Fixed income mutual funds	6,501,573
Mutual funds	15,556,768
	<u>22,058,341</u>
General fund:	
Certificates of deposits	2,360,743
Total investments	<u>24,419,084</u>
Total cash, cash equivalents and investments	<u>\$ 37,269,732</u>

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

Statement of net position:	
Cash and cash equivalents	\$ 10,869,088
Investments	2,360,743
	<u>13,229,831</u>
Fiduciary funds:	
Cash and cash equivalents	1,981,560
Investments	22,058,341
	<u>24,039,901</u>
Total cash, cash equivalents and investments	<u>\$ 37,269,732</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
Fixed income funds	\$ 6,501,573	\$ 6,501,573	\$ -



**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	\$ 1,544,071	\$ -
AAAm	-	948,310
AA	391,837	-
A	483,519	-
BBB	1,086,998	-
BB	1,315,890	-
B	1,167,864	-
Below B	441,474	-
Other	69,920	-
	\$ 6,501,573	\$ 948,310

**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, 2017:

	Fair Value Measurements Using			
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level:				
Fixed income	\$ 6,501,573	\$ -	\$ 6,501,573	\$ -
Certificate of deposit	2,360,743	2,360,743	-	-
Mutual funds	15,556,768	-	15,556,768	-
Total investments by fair value level	24,419,084	2,360,743	22,058,341	-

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,138,047	\$ 350,000	\$ -	\$ 14,488,047
Construction in progress	4,682,786	874,063	(4,682,786)	874,063
Total capital assets, not being depreciated	<u>18,820,833</u>	<u>1,224,063</u>	<u>(4,682,786)</u>	<u>15,362,110</u>
Capital assets, being depreciated:				
Buildings and improvements	125,844,647	104,366	-	125,949,013
Machinery and equipment	8,525,563	111,098	(50,009)	8,586,652
Vehicles	9,460,854	967,756	(119,579)	10,309,031
Infrastructure	28,967,544	2,866,794	-	31,834,338
Water distribution systems	29,581,666	1,298,112	-	30,879,778
Total capital assets, being depreciated	<u>202,380,274</u>	<u>5,348,126</u>	<u>(169,588)</u>	<u>207,558,812</u>
Total capital assets	<u>221,201,107</u>	<u>6,572,189</u>	<u>(4,852,374)</u>	<u>222,920,922</u>
Less accumulated depreciation for:				
Buildings and improvements	62,918,191	2,165,498	-	65,083,689
Machinery and equipment	4,813,297	367,213	(40,455)	5,140,055
Vehicles	4,437,827	541,669	(92,579)	4,886,917
Infrastructure	19,222,720	1,608,401	-	20,831,121
Water distribution systems	13,158,083	622,427	-	13,780,510
Total accumulated depreciation	<u>104,550,118</u>	<u>5,305,208</u>	<u>(133,034)</u>	<u>109,722,292</u>
Total capital assets, being depreciated, net	<u>97,830,156</u>	<u>42,918</u>	<u>(36,554)</u>	<u>97,836,520</u>
Governmental activities capital assets, net	<u>\$ 116,650,989</u>	<u>\$ 1,266,981</u>	<u>\$ (4,719,340)</u>	<u>\$ 113,198,630</u>

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 608,210	\$ -	\$ -	\$ 608,210
Construction in progress	14,805	-	-	14,805
Total capital assets, not being depreciated	623,015	-	-	623,015
Capital assets, being depreciated:				
Buildings and improvements	5,090,394	-	-	5,090,394
Machinery and equipment	660,736	33,999	-	694,735
Sewer distribution systems	59,121,453	-	-	59,121,453
Total capital assets, being depreciated	64,872,583	33,999	-	64,906,582
Total capital assets	65,495,598	33,999	-	65,529,597
Less accumulated depreciation for:				
Buildings and improvements	2,016,985	91,627	-	2,108,612
Machinery and equipment	564,323	14,375	-	578,698
Sewer distribution systems	16,899,186	785,487	-	17,684,673
Total accumulated depreciation	19,480,494	891,489	-	20,371,983
Total capital assets, being depreciated, net	45,392,089	(857,490)	-	44,534,599
Total business-type activities capital assets, net	\$ 46,015,104	\$ (857,490)	\$ -	\$ 45,157,614

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

Governmental activities:	
General government:	\$ 1,921,907
Public safety	328,997
Public works	975,802
Recreation	77,460
Education	2,001,042
Total depreciation expense - governmental activities	<u>\$ 5,305,208</u>
Business-type activities:	
Sewer	\$ 891,489
Total depreciation expense - business-type activities	<u>\$ 891,489</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, 2017 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,337,266	\$ 52,553
Sewer Assessments Fund	794,400	31
Water Department	16,748	136,290
Bonded Capital Projects Fund	133,380	1,231,362
Capital Nonrecurring Fund	426,631	338,674
Non-Major Governmental Funds and other	28,534	12,414
Enterprise Funds	2,530	862,822
Internal Service Fund	60,860	15,473
Private Purpose Trust	50	1,050
Agency Funds	-	149,730
Grand total	<u>\$ 2,800,399</u>	<u>\$ 2,800,399</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.

\$611,294 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, 2017 were as follows:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 400,894	\$ 235,000
Sewer Assessments Fund	-	356,699
Capital Nonrecurring Fund	235,000	44,195
Water Department	-	52,000
Enterprise Funds	52,000	-
Grand total	<u>\$ 687,894</u>	<u>\$ 687,894</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. Water Department transfers to Enterprise Funds are for construction of capital assets.

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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

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

	Unavailable Revenues	Unearned Revenues
	<u>                    </u>	<u>                    </u>
General Fund:		
Delinquent property taxes receivable and interest	\$ 2,166,901	\$ -
Intergovernmental	5,309	-
Other	916	-
Sewer Assessments Fund:		
Sewer assessments not yet due	2,373,865	-
Water Department Fund:		
Water usage unbilled	650,687	-
Bonded Capital Projects:		
Intergovernmental	23,001	-
Capital Nonrecurring Fund:		
Intergovernmental	412,128	-
Other Nonmajor Governmental Funds:		
Grant drawdowns prior to meeting all eligibility requirements	-	25,037
Total deferred inflows/unearned revenue	<u>\$ 5,632,807</u>	<u>\$ 25,037</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, 2017 is as follows:

Description	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 43,230,440	\$ 9,680,000	\$ 11,570,440	\$ 41,340,000	\$ 4,135,000
Bond anticipation notes	740,000	-	740,000	-	-
Drinking water notes	6,545,368	-	287,090	6,258,278	316,754
Bond premium	1,275,906	704,472	316,465	1,663,913	-
	<u>51,791,714</u>	<u>10,384,472</u>	<u>12,913,995</u>	<u>49,262,191</u>	<u>4,451,754</u>
Other long-term liabilities:					
OPEB obligations	7,875,600	858,400	-	8,734,000	-
Compensated absences	2,197,678	114,044	485,616	1,826,106	220,000
Capital lease obligations	1,978,795	1,803,976	1,075,171	2,707,600	925,617
Claims and other	700,000	-	-	700,000	-
Early retirement incentives	351,900	891,546	438,580	804,866	355,621
Net pension liability	6,575,595	-	765,918	5,809,677	-
Landfill closure	153,870	-	14,000	139,870	14,000
Total other long-term liabilities	<u>19,833,438</u>	<u>3,667,966</u>	<u>2,779,285</u>	<u>20,722,119</u>	<u>1,515,238</u>
Governmental activity long-term liabilities	<u>\$ 71,625,152</u>	<u>\$ 14,052,438</u>	<u>\$ 15,693,280</u>	<u>\$ 69,984,310</u>	<u>\$ 5,966,992</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, 2017, 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, 2016	Additions	Deductions	Refunded	Balance June 30, 2017
<b>General Purpose</b>									
CIP Var, Darrow, Roads	\$ 6,970,000	7/26/12	7/25/32	2.0-4.0%	\$ 6,655,000	\$ -	\$ 315,000	\$ 3,325,000	\$ 3,015,000
Open Space & Radio Upgrade	1,295,000	2/2/12	7/15/29	2.0-3.0%	1,260,000	-	32,000	-	1,228,000
Open Space	918,000	2/10/10	7/15/26	2.0-5.0%	639,000	-	77,000	-	562,000
Ref Var, Athletic Complex	6,930,000	7/24/14	7/15/30	2.0-4.0%	6,930,000	-	185,000	-	6,745,000
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
Ref GP 11-12 CIP,Darrow,Var Rc	3,244,000	7/21/16	7/15/33	2.5 - 3.0%	-	3,244,000	-	-	3,244,000
224 Main, Var Rds, Bush Hill	2,360,000	7/21/16	7/15/27	2.0 - 5.0%	-	2,360,000	-	-	2,360,000
Total general purpose					20,604,000	5,604,000	609,000	3,325,000	22,274,000
<b>Schools</b>									
CIP Culinary, Music Wall, Var	750,000	7/26/12	7/15/32	.65% - 3.1%	715,000	-	35,000	400,000	280,000
HS Roof & School Reno	1,693,000	2/2/12	7/15/28	2.0-3.0%	1,690,000	-	7,000	-	1,683,000
ELMS, Roof, School CIP	6,876,000	4/18/11	7/15/21	2.0-5.0%	3,625,000	-	755,000	2,870,000	-
ELMS, HS Roof & Ren Ref	7,785,000	2/10/10	7/15/24	2.0-5.0%	5,015,000	-	775,000	-	4,240,000
ELHS & Pool Refunding	3,969,000	7/16/09	7/15/19	3.0-4.0%	1,309,000	-	443,000	-	866,000
CO Roof, Tennis Court, Network	1,774,000	7/24/14	7/15/30	2.0-4.0%	1,070,000	-	-	-	1,070,000
Ref Schools Var Project	3,154,000	7/21/16	7/15/33	2.5 - 3.0%	-	3,154,000	-	-	3,154,000
Total schools					13,424,000	3,154,000	2,015,000	3,270,000	11,293,000
<b>Sewer</b>									
Pine Grove Sewer	580,000	2/2/12	7/15/28	2.0-3.0%	579,000	-	2,000	-	577,000
Sewer Const. - Ref 92 7 95	4,955,000	4/18/11	7/15/18	2.0-5.0%	1,625,000	-	820,000	805,000	-
Pine Grove Sewer Refund	2,182,000	2/10/10	7/15/26	2.0-5.0%	1,541,000	-	178,000	-	1,363,000
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%	855,000	-	60,000	-	795,000
Refund 4/18/11 Ref 92&95	776,000	7/21/16	7/15/21	2.5 - 3.0%	-	776,000	-	-	776,000
Total sewers					4,600,440	776,000	1,060,440	805,000	3,511,000
<b>Water Bonds</b>									
DWSRF 2012-7010	360,516	6/30/13	12/31/32	2.0%	304,498	-	15,736	-	288,762
Various Water Projects	1,000,000	7/26/12	7/15/32	2.0-4.0%	900,000	-	200,000	150,000	550,000
2012 Ref Bonds 2009	3,762,000	2/12/12	7/15/29	2.0-3.0%	3,636,000	-	114,000	-	3,522,000
DWSRF/ARRA 2010-8003	401,454	12/29/11	6/30/31	2.06%	311,688	-	17,995	-	293,693
Refunding	90,000	7/24/14	7/15/30	2.0-4.0%	66,000	-	22,000	-	44,000
DWSRF 2013-7022	6,526,492	6/30/15	6/30/34	2.0%	5,929,183	-	253,359	-	5,675,824
2016 Ref 2012 Bonds	146,000	7/21/16	7/15/28		-	146,000	-	-	146,000
Total water					11,147,369	146,000	623,090	150,000	10,520,279
Total bonds/notes - governmental activities					\$ 49,775,808	\$ 9,680,000	\$ 4,307,530	\$ 7,550,000	\$ 47,598,279

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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

The following is a summary as of June 30, 2017, 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
2018	\$ 4,135,000	\$ 1,229,344	\$ 5,364,344
2019	4,110,000	1,102,469	5,212,469
2020	3,445,000	979,369	4,424,369
2021	3,445,000	859,694	4,304,694
2022	2,805,000	753,694	3,558,694
2023-2027	12,860,000	2,495,397	15,355,397
2028-2032	7,845,000	925,738	8,770,738
2033-2035	2,695,000	144,556	2,839,556
Total	<u>\$ 41,340,000</u>	<u>\$ 8,490,261</u>	<u>\$ 49,830,261</u>

**Bond anticipation notes:** The Town has no tax-exempt general obligation bond anticipation notes (BANS) outstanding as of June 30, 2017.

Bond anticipation note transactions for the year ended June 30, 2017 were as follows:

Outstanding, July 1, 2016	\$ 740,000
New borrowings	-
Repayments	(740,000)
Outstanding, June 30, 2017	<u>\$ -</u>



**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 \$6,258,278. 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, 2017, of the future principal and interest requirements for the Town's drinking water notes - governmental activities:

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 316,754	\$ 121,714	\$ 438,468
2019	322,855	115,613	438,468
2020	329,383	109,084	438,467
2021	336,042	102,425	438,467
2022	342,837	95,631	438,468
2023-2027	1,821,022	375,643	2,196,665
2028-2032	1,988,218	81,624	2,069,842
2033-2034	801,167	27,056	828,223
Total	<u>\$ 6,258,278</u>	<u>\$ 1,028,790</u>	<u>\$ 7,287,068</u>

**Bonds authorized but unissued:** Total authorized but unissued debt at June 30, 2017 consists of the following:

General purpose	\$ 7,766,049
Schools	36,166,066
Sewer	4,366,046
	<u>\$ 48,298,161</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	\$ 122,519,536	\$ 28,609,000	\$ 93,910,536
Schools	245,039,072	49,054,066	195,985,006
Sewers	204,199,226	7,877,446	196,321,780
Urban renewal	176,972,663	-	176,972,663
Pension deficit	163,359,381	-	163,359,381

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$381,172,000.

**Capital lease:** At June 30, 2017, 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 \$7,512,000 with approximately \$4,688,000, in accumulated depreciation.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

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

2018	\$	961,967
2019		677,361
2020		509,121
2021		345,191
2022		159,461
Thereafter		145,029
Total		<u>2,798,130</u>
Less amount representing interest		<u>(90,530)</u>
	\$	<u><u>2,707,600</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, 2017, \$438,580 was paid for these benefits. At June 30, 2017, approximately \$804,866 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 \$139,870 as of June 30, 2017. 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 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 employee health insurance, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from the amounts held in prior years.

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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

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

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

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

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

	Liability July 1,	Current Year Claims And Changes in Estimates	Claim Payments	Liability June 30,
2015-2016	\$ 1,096,102	\$ 7,676,727	\$ 7,865,506	\$ 907,323
2016-2017	907,323	7,879,822	7,919,264	867,881

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 losses 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, 2017

	Pension Trust funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
<b>Assets</b>			
Investments:			
Mutual funds	\$ 14,224,462	\$ 1,332,306	\$ 15,556,768
Fixed income funds	6,501,573	-	6,501,573
Receivable	6,671	-	6,671
Total assets	<u>20,732,706</u>	<u>1,332,306</u>	<u>22,065,012</u>
Total net position	<u>20,732,706</u>	<u>1,332,306</u>	<u>22,065,012</u>
Net position - restricted for pension benefits	<u>\$ 20,732,706</u>	<u>\$ 1,332,306</u>	<u>\$ 22,065,012</u>

Statement of Changes in Plan Net Position  
Year Ended June 30, 2017

	Pension Trust funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
<b>Additions:</b>			
Contributions:			
Employer	\$ 1,023,637	\$ 79,647	\$ 1,103,284
Plan members	140,290	46,386	186,676
Total contributions	<u>1,163,927</u>	<u>126,033</u>	<u>1,289,960</u>
Investments:			
Net appreciation in fair value of investments	2,255,310	197,605	2,452,915
Total investment loss	<u>2,255,310</u>	<u>197,605</u>	<u>2,452,915</u>
Total additions	<u>3,419,237</u>	<u>323,638</u>	<u>3,742,875</u>
<b>Deductions:</b>			
Benefits	970,383	162,686	1,133,069
Administration	41,815	405	42,220
Total deductions	<u>1,012,198</u>	<u>163,091</u>	<u>1,175,289</u>
Changes in net position	2,407,039	160,547	2,567,586
Restricted net position, beginning	<u>18,325,667</u>	<u>1,171,759</u>	<u>19,497,426</u>
Restricted net position, ending	<u>\$ 20,732,706</u>	<u>\$ 1,332,306</u>	<u>\$ 22,065,012</u>

Town of East Lyme, Connecticut

Notes to Financial Statements

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**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, 2017, the date of the last actuarial valuation, membership in the plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		51
Terminated employees entitled to benefits but not yet receiving them		20
Inactive participants		-
Current employees		
Vested	113	
Nonvested	74	187
		<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.

Town of East Lyme, Connecticut

Notes to Financial Statements

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

<i>Police COLA:</i>	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%).
<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.
<b>Early retirement benefit:</b>	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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

**Pre-retirement death benefit:** Minimum Age: 45 (Prior to 1/1/2009, age 55)

**Minimum service** 10 Years (Prior to 1/1/2009, 15 Years)

It will be assumed that an eligible participant, who dies before his NRD, had retired on the day prior to death and elected a 100% (50% prior to January 2009) Joint & Survivor Annuity.

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. There are no stand-alone financial statements issued for 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 a permanent member on the pension board. The non-permanent Pension Board members are appointed by the First Selectman and must be active employees of their respective pension plan. The pension board typically meet monthly or as needed to review retirement/disability requests and/or investment recommendations. The pension board meets at least quarterly with the Town's Investment Advisor to review and modify investments accordingly. Changes in investments are not effective until voted favorably by each of the pension board.

**Investment 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.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

The following represents the investments of the pension plans that represent more than 5% of the plan's net position as of June 30, 2017:

Amer Fds Fundamental Investors INV OPT	\$ 1,439,368
T. Rowe Price Equity Income	1,762,895
Oppenheimer Intl Gr Inv Opt	1,054,355
MFS International Value Inv Opt	1,821,012
Eaton Vance Atlanta Cap SMID-CAP A	1,113,638
Janus Balanced A	1,171,132
American Century Eq Income Inv Opt	1,575,641
Putnam High Yield Advantage A	1,824,893
Franklin Temp Conservative Alloc A	1,731,778
MFS Total Return A	1,674,170
Loomis Sayles Bond Inv. Opt.	1,468,494

**Net pension liability of the Town:** The components of the net pension liability of the Town at June 30, 2017 were as follows:

Retirement Pension Trust	2017
Total pension liability	\$ 26,542,383
Plan fiduciary net position	20,732,706
Net pension liability	<u>\$ 5,809,677</u>
Plan fiduciary net position as a percentage of total pension liability	78.11%

**Money-weighted rate of return:** For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.70%. 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, 2017, using the following actuarial assumptions, which was projected forward to the measurement date of June 30, 2017:

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, 2017, 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.00%	7.00%
International equity	20.00%	8.00%
Fixed income	35.00%	2.00%
Real estate	0.00%	N/A
Cash	10.00%	0.25%
	100.00%	

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

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

Retirement Pension Trust	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 9,104,446	\$ 5,809,677	\$ 3,031,397

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 6/30/16	\$ 24,382,345	\$ 17,806,750	\$ 6,575,595
Changes for the year:			
Service cost	665,420	-	665,420
Interest	1,735,683	-	1,735,683
Difference between expected and actual experience	272,190	-	272,190
Contributions - employer	-	1,023,637	(1,023,637)
Contributions - members	-	140,290	(140,290)
Net investment income	-	2,301,834	(2,301,834)
Benefit payments, including refunds of employee contributions	(513,255)	(513,255)	-
Administrative expense	-	(26,550)	26,550
Other	-	-	-
Net changes	2,160,038	2,925,956	(765,918)
Balances at 6/30/17	<u>\$ 26,542,383</u>	<u>\$ 20,732,706</u>	<u>\$ 5,809,677</u>

For the year ended June 30, 2017, the Town recognized pension expense of \$1,170,974. 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	\$ 233,961	\$ 618,597
Net difference between projected and actual earnings on pension plan investments	319,559	-
Total	<u>\$ 553,520</u>	<u>\$ 618,597</u>

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### 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 ending June 30:	Retirement Pension Trust
2018	\$ 151,558
2019	151,557
2020	(42,754)
2021	(295,438)
2022	(57,362)
Thereafter	27,362

#### 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, 2017, there were 16 plan members. The Town contributed \$76,647.

##### **Connecticut State Teachers' Retirement System:**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefit provisions:** The Plan provides retirement, disability and death benefits. Employees are eligible to retire 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.

**Normal retirement:** Retirement benefits for employees are calculated as 2 percent of the average annual salary times the years of credited service (maximum benefit is 75 percent of average annual salary during the 3 years of highest salary).

**Early retirement:** Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

**Disability retirement:** Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2 percent of average annual salary times credited service to date of disability, but not less than 15 percent of average annual salary, nor more than 50 percent of average annual salary.

**Contributions:** Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

**Employer (school districts):** School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100 percent of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

**Employees:** Effective July 1, 1992, each teacher is required to contribute 6 percent of salary for the pension benefit.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:** At June 30, 2017, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100 percent of the required contribution. The portion of the State net pension liability that was associated with the Town was \$73,661,444 and 100% of the collective net pension liability is allocated to the State. The Town has no proportionate share of the liability.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2017, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$6,240,557 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to year 2020 using BB improvement scales.

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2 percent.

Changes from prior valuation: Since the prior valuation, the State adopted new assumptions based on the 2015 Experience Study. The changes in assumptions are summarized below:

#### Economic assumptions:

1. Reduce the inflation assumption from 3.00% to 2.75%.
2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%.
4. Slightly modify the merit portion of the salary scale.
5. Reduce the payroll growth assumption from 3.75% to 3.25%.

#### Demographic assumptions:

6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females.
8. Increase rates of withdrawal.
9. Decrease rates of disability for males.

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%	5.80%
Developed non-U.S. equities	18.00%	6.60%
Emerging markets (non-U.S.)	9.00%	8.30%
Real estate	7.00%	5.10%
Private equity	11.00%	7.60%
Alternative investments	8.00%	4.10%
Core fixed income	7.00%	1.30%
High yield bonds	5.00%	3.90%
Emerging markets bond	5.00%	3.70%
Inflation linked bond fund	3.00%	1.00%
Cash	6.00%	0.40%
	100.00%	

**Town of East Lyme, Connecticut**

**Notes to Financial Statements**

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

**Discount rate:** The discount rate used to measure the total pension liability was 8.00 percent. 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 State contributions will be made at the actuarially determined contribution rates in the future years. 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 Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
State's portion of the NPL associated with the Town	\$ 90,877,569	\$ 73,661,444	\$ 59,107,918

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**Other information:** Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

**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, 2016. 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, 2016, 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
6/30/17	\$ 830,200	\$ (28,200)	-3.40%	\$ 8,734,000
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

**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
7/1/2016	\$ -	\$ 8,088,100	\$ 8,088,100	0.0%	\$ 31,680,000	26.0%

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

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

##### OPEB obligation:

Annual required contribution	\$ 953,200
Interest on net pension obligation	315,000
Adjustment to ARC	<u>(438,000)</u>
Annual OPEB cost	830,200
Contributions made	<u>(28,200)</u>
Increase in net OPEB liability	858,400
Net OPEB obligation, beginning of year	<u>7,875,600</u>
Net OPEB obligation, end of year	<u><u>\$ 8,734,000</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, 2016
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**

Below is a table of fund balance categories and classifications at June 30, 2017 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:						
Permanent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2
Advance	-	611,294	-	-	-	-
Inventory	-	-	27,610	-	-	-
	-	611,294	27,610	-	-	2
Restricted:						
Public works	-	-	485,261	-	-	-
Recreation	-	-	-	-	-	28,534
Education	-	-	-	-	-	113,723
	-	-	485,261	-	-	142,257
Committed:						
Public works	-	2,079,595	-	-	-	-
Capital projects	-	-	-	821,402	902,773	-
	-	2,079,595	-	821,402	902,773	-
Assigned:						
Recreation	145,867	-	-	-	-	-
General government	12,843	-	-	-	-	-
Education	1,044,294	-	-	-	-	-
	1,203,004	-	-	-	-	-
Unassigned:	4,766,664	-	-	-	-	-
Total fund balances	\$ 5,969,668	\$ 2,690,889	\$ 512,871	\$ 821,402	\$ 902,773	\$ 142,259

**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:

## Town of East Lyme, Connecticut

### Notes to Financial Statements

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#### Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

- Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

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

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019.
- GASB Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017.

**Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)**

- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.

This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017.

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**Note 15. Subsequent Event**

On August 15, 2017, the Town issued \$3,200,000 general obligation bonds and \$1,605,000 in general obligation bond anticipation notes. The general obligation bonds have interest rates ranging from 2% to 5% and have a final maturity of August 15, 2037. The general obligation bond anticipation notes mature on August 16, 2018.

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**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
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	938,749	926,720	(12,029)	8,524,401	10.9%
2017	1,074,721	1,023,637	(51,084)	9,173,350	11.2%

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 Four Fiscal Years \***

<b>Retirement Pension Trust</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Changes in Net Pension Liability</b>				
Total pension liability:				
Service cost	\$ 665,420	\$ 619,574	\$ 620,611	\$ 607,102
Interest on total pension liability	1,735,683	1,651,380	1,541,759	1,516,865
Differences between expected and actual experience	272,190	(651,845)	(256,503)	-
Benefit payments	(513,255)	(409,749)	(270,218)	(254,567)
<b>Net change in total pension liability</b>	<b>2,160,038</b>	<b>1,209,360</b>	<b>1,635,649</b>	<b>1,869,400</b>
Total pension liability, beginning	24,382,345	23,172,985	21,537,336	19,667,936
<b>Total pension liability, ending (a)</b>	<b>26,542,383</b>	<b>24,382,345</b>	<b>23,172,985</b>	<b>21,537,336</b>
Fiduciary net position:				
Employer contributions	1,023,637	926,720	1,076,823	1,031,092
Member contributions	140,290	132,826	172,854	133,430
Investment income net of investment expenses	2,301,834	(36,983)	220,349	2,037,638
Benefit payments	(513,255)	(409,749)	(270,218)	(254,567)
Administrative expenses	(26,550)	(13,850)	(39,500)	(2,900)
Other	-	(517,746)	-	-
<b>Net change in plan fiduciary net position</b>	<b>2,925,956</b>	<b>81,218</b>	<b>1,160,308</b>	<b>2,944,693</b>
Fiduciary net position, beginning	17,806,750	17,725,532	16,565,224	13,620,531
<b>Fiduciary net position, ending (b)</b>	<b>20,732,706</b>	<b>17,806,750</b>	<b>17,725,532</b>	<b>16,565,224</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 5,809,677</b>	<b>\$ 6,575,595</b>	<b>\$ 5,447,453</b>	<b>\$ 4,972,112</b>
Fiduciary net position as a % of total pension liability	78.11%	73.03%	76.49%	76.91%
Covered payroll	\$ 9,173,350	\$ 8,524,401	\$ 8,573,798	\$ 8,559,474
Net pension liability as a % of covered payroll	63.33%	77.14%	63.54%	58.09%
<b>Required Supplementary Information - Unaudited</b>				
<b>Schedule of Investment Returns</b>				
<b>Last Four Fiscal Years *</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
Annual money-weighted rate of return, net of investment expense	12.70%	-0.21%	1.30%	14.90%

\*Note: This schedule is intended to show information for ten years. Additional information will be added when it becomes available



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

	2017	2016	2015
Town's proportion of the net pension liability	0.00%	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	\$ 73,661,444	\$ 57,467,120	\$ 53,116,835
Total	\$ 73,661,444	\$ 57,467,120	\$ 53,116,835
Town's covered-employee payroll	\$ 21,330,799	\$ 20,059,000	\$ 20,060,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
System fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

\*Note: This schedule is intended to show information for ten years. Additional information will be added when it becomes available

**Required Supplementary Information - Unaudited  
Schedule of Funding Progress and Employer Contributions - OPEB  
Last Seven 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%
7/1/2016	-	8,088,100	8,088,100	0.0%	31,680,000	26.0%

**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%
06/30/17	953,200	(28,200)	-2.96%

**Required Supplementary Information - Unaudited**  
**Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual -**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes, interest and lien fees	\$ 53,960,439	\$ 53,960,439	\$ 54,276,614	\$ 316,175
Intergovernmental	9,261,111	9,467,654	9,100,925	(366,729)
Charges for services	4,900,402	4,918,401	5,096,799	178,398
Income from investments	36,000	36,000	41,473	5,473
<b>Total revenues</b>	<b>68,157,952</b>	<b>68,382,494</b>	<b>68,515,811</b>	<b>133,317</b>
<b>Expenditures:</b>				
Current:				
General government	7,216,231	6,935,714	6,803,396	132,318
Public safety	4,071,872	4,289,846	4,208,215	81,631
Public works	3,828,677	4,037,800	3,862,143	175,657
Health and welfare	275,222	278,926	267,197	11,729
Culture and recreation	2,065,464	2,079,180	2,069,216	9,964
Education	45,484,605	45,484,605	45,479,205	5,400
Capital outlay	1,048,602	1,079,259	1,011,610	67,649
Debt service	5,253,353	5,283,238	5,283,234	4
<b>Total expenditures</b>	<b>69,244,026</b>	<b>69,468,568</b>	<b>68,984,216</b>	<b>484,352</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,086,074)</b>	<b>(1,086,074)</b>	<b>(468,405)</b>	<b>617,669</b>
<b>Other financing sources:</b>				
Transfers in	410,973	410,973	409,525	(1,448)
Use of Fund Balance	675,101	675,101	-	(675,101)
<b>Total other financing sources</b>	<b>1,086,074</b>	<b>1,086,074</b>	<b>409,525</b>	<b>(676,549)</b>
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (58,880)</b>	<b>\$ (58,880)</b>

See notes to required supplementary information - unaudited.

## Town of East Lyme, Connecticut

### Note to Required Supplementary Information – Unaudited

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#### Note 1. Budgets and Budgetary Accounting

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

- A budget for the general fund is authorized by the Board of Finance. The Board of Finance follows these procedures in establishing the budgetary data reflected in the financial statements:
  - The citizens of the Town vote on the recommended budget.
  - The Board of Finance sets the tax rate for the fiscal year.
  - All budget transfers must be approved by the Board of Finance.
  - All unencumbered appropriations of the general fund lapse at year-end.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.
- The Board of Education is authorized under State law to make any transfers within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over \$10,000, Town Meeting approval.
- During the year, additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen act on the requests, which, if approved, are sent to the Board of Finance. The Board of Finance then acts on the requests.
- Any additional appropriation requires approval at a Town Meeting if it exceeds \$10,000 or is a second request by the asking board commission or department. Additional appropriations for the year ended June 30, 2017 aggregated \$224,542 for the General Fund.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except for those in the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

(Continued)

**Town of East Lyme, Connecticut**

**Note to Required Supplementary Information – Unaudited (Continued)**

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

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Balance, budgetary basis	\$ 68,919,640	\$ 68,984,216
State Teachers Retirement payments made by State Department of Education on behalf of the Town, not recognized for budgetary purposes	8,033,051	8,033,051
GASB 54 effect	1,525,504	1,608,671
Change in encumbrances	-	(217,820)
Balance, GAAP basis	<u>\$ 78,478,195</u>	<u>\$ 78,408,118</u>

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





**General Fund**

## **General Fund**

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.) These activities are funded principally by property taxes, user fees and grants from other governmental units.

Town of East Lyme, Connecticut

**General Fund Revenues and Other Financing Sources - Budgetary Basis -  
Budget and Actual  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Taxes, interest and lien fees:</b>				
Current taxes	\$ 53,294,739	\$ 53,294,739	\$ 53,442,784	\$ 148,045
Prior taxes	400,000	400,000	518,565	118,565
Interest and lien fees	265,700	265,700	315,265	49,565
<b>Total taxes, interest and lien fees</b>	<b>53,960,439</b>	<b>53,960,439</b>	<b>54,276,614</b>	<b>316,175</b>
<b>Intergovernmental:</b>				
Education cost sharing	7,044,106	7,044,106	6,949,779	(94,327)
Transportation	-	-	-	-
Town aid roads	340,970	340,970	342,652	1,682
Local capital Improvement	120,181	294,026	-	(294,026)
Youth service bureau	26,160	26,160	25,547	(613)
Tax relief-telephone taxes	50,000	50,000	53,589	3,589
PILOT - state owned property	862,360	862,360	862,360	-
Pequot fund	320,180	320,180	320,180	-
PILOT - hospital and colleges	40,179	40,179	40,179	-
FEMA storm grant	243,736	243,736	243,736	-
Tax relief for elderly	97,591	97,591	91,753	(5,838)
Tax relief for disabled	1,393	1,393	1,314	(79)
Civil preparedness	33,562	33,562	48,247	14,685
Tax relief for veterans	19,693	19,693	19,552	(141)
State grant - Nuclear Safety Emer Prep (NSEP)	-	11,348	44,424	33,076
State grant - DUI	60,000	81,350	53,811	(27,539)
Other grants	1,000	1,000	3,802	2,802
<b>Total intergovernmental</b>	<b>9,261,111</b>	<b>9,467,654</b>	<b>9,100,925</b>	<b>(366,729)</b>
<b>Charges for services:</b>				
<b>Licenses and permits:</b>				
Building permits	365,700	365,700	306,149	(59,551)
Beach and recreation town funds	153,500	153,500	178,163	24,663
ZBA and planning commission	5,290	5,290	11,343	6,053
Conveyance tax	230,000	230,000	286,055	56,055
Dog licenses	12,000	12,000	10,136	(1,864)
Town clerk fees	138,000	138,000	144,178	6,178
Zoning commission - maps and permits	25,000	25,000	29,917	4,917
Solid waste removal license	1,000	1,000	800	(200)
Shellfish permits	-	-	802	802
Wetland Fees	5,450	5,450	6,746	1,296

(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, 2017

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Charges for services (Continued)				
Licenses and permits (Continued)				
Pistol, fire, & loading	\$ 10,000	\$ 10,000	\$ 12,185	\$ 2,185
Mooring permits	7,250	7,250	7,200	(50)
<b>Total licenses and permits</b>	<b>953,190</b>	<b>953,190</b>	<b>993,674</b>	<b>40,484</b>
Fines and forfeits:				
Parking fees	9,000	9,000	5,810	(3,190)
Extra duty - police and fire	30,000	30,000	94,629	64,629
TC office fees	5,000	5,000	5,615	615
TC fish and game fees	300	300	213	(87)
<b>Total fines and forfeits</b>	<b>44,300</b>	<b>44,300</b>	<b>106,267</b>	<b>61,967</b>
Charges for services:				
Tuition - other districts	3,026,411	3,026,411	3,035,771	9,360
Rent - Cini park	15,000	15,000	18,401	3,401
Debt payment - Salem	86,705	86,705	86,705	-
Tipping fees commercial	288,300	288,300	282,329	(5,971)
Transportation subsidy	42,500	42,500	40,337	(2,163)
Recycling - other	4,250	4,250	24,750	20,500
Recycling - newspaper/cardboard	3,500	3,500	8,243	4,743
MSW containers	5,000	5,000	5,920	920
Ambulance fund	10,000	10,000	10,000	-
Insurance rebate	22,480	22,480	30,440	7,960
Assessor	3,000	3,000	2,490	(510)
Aging	21,500	21,500	21,510	10
Landfill deposits	140,000	140,000	113,200	(26,800)
Financial department	68,000	68,000	71,300	3,300
Tax collector	700	700	1,010	310
Miscellaneous other	6,500	6,500	5,696	(804)
Selectman's office	100	100	70	(30)
Smith-Harris commission	850	850	-	(850)
Town miscellaneous	151,341	169,340	238,686	69,346
Water and sewer services	6,775	6,775	-	(6,775)
<b>Total charges for services</b>	<b>3,902,912</b>	<b>3,920,911</b>	<b>3,996,858</b>	<b>75,947</b>
<b>Total charges for services</b>	<b>4,900,402</b>	<b>4,918,401</b>	<b>5,096,799</b>	<b>178,398</b>
Income from investments:				
Interest income	36,000	36,000	41,473	5,473
<b>Total revenues</b>	<b>68,157,952</b>	<b>68,382,494</b>	<b>68,515,811</b>	<b>133,317</b>

(Continued)

Town of East Lyme, Connecticut

**General Fund Revenues and Other Financing Sources - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Other financing sources:				
Use of fund balance	\$ 675,101	\$ 675,101	\$ -	\$ (675,101)
Transfers in	410,973	410,973	409,525	(1,448)
	<u>1,086,074</u>	<u>1,086,074</u>	<u>409,525</u>	<u>(676,549)</u>
<b>Total revenues and other financing sources</b>	<b>\$ 69,244,026</b>	<b>\$ 69,468,568</b>	<b>\$ 68,925,336</b>	<b>\$ (543,232)</b>

(Concluded)

Town of East Lyme, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>General government:</b>				
First selectman	\$ 231,676	237,200	\$ 220,954	\$ 16,246
Assessor's office	211,071	214,103	213,450	653
Tax collector	167,830	171,689	171,091	598
Building official	216,558	219,305	207,994	11,311
Town engineer	210,761	215,105	208,926	6,179
Town clerk	193,665	197,707	191,257	6,450
Health department	139,531	139,531	139,531	-
Information technology	122,506	124,688	123,425	1,263
Registrars	102,339	103,590	96,914	6,676
Judge of probate	16,901	16,901	16,901	-
Maintenance of town buildings	708,735	711,711	666,844	44,867
General government and benefits	3,966,293	3,970,205	3,962,627	7,578
Community services	27,801	27,801	27,801	-
Zoning commission	94,879	97,963	94,702	3,261
Planning department	78,502	81,103	76,863	4,240
Finance department	280,921	290,296	289,834	462
Contingency funds	343,730	13,501	7,396	6,105
Board of finance	42,689	42,769	42,889	(120)
Board of assessment appeals	5,425	5,425	1,344	4,081
Zoning board of appeals	780	780	248	532
Inlands Wetlands Agency	22,563	23,101	18,744	4,357
Conservation of natural resources commission	1,500	1,665	911	754
Waterford/ East Lyme shellfish commission	2,500	2,500	2,500	-
Smith-Harris commission	16,200	16,200	14,192	2,008
Town building committee	875	875	143	732
Harbor management commission	10,000	10,000	5,915	4,085
<b>Total general government</b>	<b>7,216,231</b>	<b>6,935,714</b>	<b>6,803,396</b>	<b>132,318</b>
<b>Public safety:</b>				
Police department	2,418,374	2,576,010	2,519,661	56,349
Niantic fire department	529,829	541,951	538,386	3,565
Flanders fire department	385,806	388,381	377,817	10,564
Emergency management	681,331	716,972	706,988	9,984
Animal Control	56,532	66,532	65,363	1,169
<b>Total public safety</b>	<b>4,071,872</b>	<b>4,289,846</b>	<b>4,208,215</b>	<b>81,631</b>
<b>Public works:</b>				
Highways and sanitation	3,828,677	4,037,800	3,862,143	175,657
<b>Total public works</b>	<b>3,828,677</b>	<b>4,037,800</b>	<b>3,862,143</b>	<b>175,657</b>

(Continued)

Town of East Lyme, Connecticut

**General Fund Expenditures and Other Financing Uses - Budgetary Basis -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Health and welfare:				
Commission on aging	\$ 264,770	\$ 268,474	\$ 256,745	\$ 11,729
Visiting nurses association	10,452	10,452	10,452	-
<b>Total health and welfare</b>	<b>275,222</b>	<b>278,926</b>	<b>267,197</b>	<b>11,729</b>
Board of Education	45,484,605	45,484,605	45,479,205	5,400
Culture and recreation:				
East Lyme public library	1,120,845	1,120,845	1,120,845	-
Parks and recreation	944,619	958,335	948,371	9,964
<b>Total culture and recreation</b>	<b>2,065,464</b>	<b>2,079,180</b>	<b>2,069,216</b>	<b>9,964</b>
Capital outlay:				
Town - Capital improvement program	1,048,602	1,049,911	1,011,610	38,301
Town - Special Appropriations	-	29,348	-	29,348
<b>Total capital outlay</b>	<b>1,048,602</b>	<b>1,079,259</b>	<b>1,011,610</b>	<b>67,649</b>
Debt service:				
Redemption of debt - principal	3,976,191	3,976,191	3,976,190	(1)
Interest payments	1,277,162	1,307,047	1,307,044	(3)
<b>Total debt service</b>	<b>5,253,353</b>	<b>5,283,238</b>	<b>5,283,234</b>	<b>4</b>
<b>Total expenditures and encumbrances</b>	<b>\$ 69,244,026</b>	<b>\$ 69,468,568</b>	<b>\$ 68,984,216</b>	<b>\$ 484,352</b>

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## **Nonmajor Governmental Funds**

## **Nonmajor Governmental Funds**

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

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

**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, 2017

	Special Revenue			Permanent Fund	Total Nonmajor Funds
	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Fund	
<b>Assets</b>					
Cash	\$ 80,337	\$ 33,989	\$ -	\$ 913	\$ 115,239
Intergovernmental receivables	42,302	60,752	-	-	103,054
Inventory	23,126	-	-	-	23,126
Due from other funds	-	-	28,534	-	28,534
<b>Total assets</b>	<b>\$ 145,765</b>	<b>\$ 94,741</b>	<b>\$ 28,534</b>	<b>\$ 913</b>	<b>\$ 269,953</b>
<b>Liabilities</b>					
Accounts payable	\$ 32,042	\$ 58,201	\$ -	\$ -	\$ 90,243
Due to other funds	-	11,503	-	911	12,414
Unearned revenue	-	25,037	-	-	25,037
<b>Total liabilities</b>	<b>32,042</b>	<b>94,741</b>	<b>-</b>	<b>911</b>	<b>127,694</b>
Fund balances:					
Nonspendable	-	-	-	2	2
Restricted	113,723	-	28,534	-	142,257
<b>Total fund balances</b>	<b>113,723</b>	<b>-</b>	<b>28,534</b>	<b>2</b>	<b>142,259</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 145,765</b>	<b>\$ 94,741</b>	<b>\$ 28,534</b>	<b>\$ 913</b>	<b>\$ 269,953</b>

Town of East Lyme, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ending June 30, 2017

	Special Revenue			Permanent Fund	Total Nonmajor Funds
	School Lunch Fund	Special Education Grant Fund	Historic Preservation Fund	McCook Memorial Funds	
<b>Revenues:</b>					
Intergovernmental	\$ 257,359	\$ 774,494	\$ 4,000	\$ -	\$ 1,035,853
Charges for services	669,702	-	8,408	-	678,110
<b>Total revenues</b>	<b>927,061</b>	<b>774,494</b>	<b>12,408</b>	<b>-</b>	<b>1,713,963</b>
<b>Expenditures:</b>					
Current:					
Culture and recreation	-	-	6,400	-	6,400
Education	847,747	774,494	-	-	1,622,241
<b>Total expenditures</b>	<b>847,747</b>	<b>774,494</b>	<b>6,400</b>	<b>-</b>	<b>1,628,641</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>79,314</b>	<b>-</b>	<b>6,008</b>	<b>-</b>	<b>85,322</b>
Fund balances					
Beginning	34,409	-	22,526	2	56,937
Fund balances Ending	<u>\$ 113,723</u>	<u>\$ -</u>	<u>\$ 28,534</u>	<u>\$ 2</u>	<u>\$ 142,259</u>

**Fiduciary Funds**

## **Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

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

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

**Student activity fund** is used to receive student funds and promote the educational and student activities of students.

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

Town of East Lyme, Connecticut

Combining Statement of Net Position - Fiduciary Funds  
June 30, 2017

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
<b>Assets</b>			
Cash	\$ 104,145	\$ 3,118	\$ 107,263
Due from other funds	50	-	50
<b>Total assets</b>	<b>104,195</b>	<b>3,118</b>	<b>107,313</b>
<b>Liabilities</b>			
Due to other funds	1,050	-	1,050
<b>Total liabilities</b>	<b>1,050</b>	<b>-</b>	<b>1,050</b>
<b>Net position held in trust for Other purposes</b>	<b>\$ 103,145</b>	<b>\$ 3,118</b>	<b>\$ 106,263</b>

Town of East Lyme, Connecticut

Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2017

	Private-Purpose Trust Funds		
	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total Private Purpose Trust Funds
Additions:			
Contributions			
Private	\$ 6,226	\$ -	\$ 6,226
<b>Total contributions</b>	<b>6,226</b>	<b>-</b>	<b>6,226</b>
Investments:			
Interest income	940	1	941
<b>Total investment income</b>	<b>940</b>	<b>1</b>	<b>941</b>
Deductions:			
Expense	12,716	-	12,716
<b>Changes in net position</b>	<b>(5,550)</b>	<b>1</b>	<b>(5,549)</b>
Net position, beginning	108,695	3,117	111,812
Net position, ending	\$ 103,145	\$ 3,118	\$ 106,263



Town of East Lyme, Connecticut

Combining Statement of Changes in Assets and Liabilities -  
Agency Funds  
June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Assets</b>				
Cash and cash equivalents:				
Student activity fund	\$ 520,795	\$ 1,027,813	\$ 1,062,025	\$ 486,583
Pool fund	230,517	579,147	639,299	170,365
Performance bonds	1,200,187	17,162	-	1,217,349
<b>Total assets</b>	<b>1,951,499</b>	<b>1,624,122</b>	<b>1,701,324</b>	<b>1,874,297</b>
<b>Liabilities</b>				
Payable:				
Student Activity Fund	\$ 520,795	\$ 1,027,813	\$ 1,062,025	\$ 486,583
Pool fund	230,517	579,147	639,299	170,365
Performance Bonds	1,200,187	-	132,568	1,067,619
Due to other funds:				
Performance Bonds	-	149,730	-	149,730
<b>Total liabilities</b>	<b>\$ 1,951,499</b>	<b>\$ 1,756,690</b>	<b>\$ 1,833,892</b>	<b>\$ 1,874,297</b>

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

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

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

**Town of East Lyme, Connecticut**

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

**Schedule by Category**

**June 30, 2017**

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Governmental funds capital assets:

Land	\$ 14,488,047
Construction in progress	874,063
Buildings and improvements	125,949,013
Machinery and equipment	8,586,652
Vehicles	10,309,031
Infrastructure	31,834,338
Water distribution system	<u>30,879,778</u>

**Total governmental funds capital assets** \$ 222,920,922

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**Other Schedules**





Town of East Lyme, Connecticut

Balance Sheet - By Account - General Fund  
June 30, 2017

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Receivables	Totals
<b>Assets</b>						
Cash	\$ 3,835,969	\$ 374,658	\$ -	\$ -	\$ -	\$ 4,210,627
Investments	2,360,743	-	-	-	-	2,360,743
Intergovernmental Receivables	96,457	-	-	-	-	96,457
Property Taxes	2,258,512	-	-	-	-	2,258,512
Assessments/User Charges	51,112	-	-	-	-	51,112
Other	84,384	-	-	-	-	84,384
Due from Other Funds	1,336,216	-	34,092	171,015	(204,057)	1,337,266
<b>Total assets</b>	<b>\$ 10,023,393</b>	<b>\$ 374,658</b>	<b>\$ 34,092</b>	<b>\$ 171,015</b>	<b>\$ (204,057)</b>	<b>\$ 10,399,101</b>
<b>Liabilities</b>						
Accounts payable	\$ 2,084,709	\$ -	\$ 21,249	\$ 25,148	\$ -	\$ 2,131,106
Due to other funds	256,610	-	-	-	(204,057)	52,553
<b>Total liabilities</b>	<b>2,341,319</b>	<b>-</b>	<b>21,249</b>	<b>25,148</b>	<b>(204,057)</b>	<b>2,183,659</b>
Deferred inflows of resources:						
Unavailable revenues	2,173,126	-	-	-	-	2,173,126
Advance tax collections	72,648	-	-	-	-	72,648
<b>Total deferred inflows of resources</b>	<b>2,245,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,245,774</b>
Fund balances:						
Assigned	669,636	374,658	12,843	145,867	-	1,203,004
Unassigned	4,766,664	-	-	-	-	4,766,664
<b>Total fund balances</b>	<b>5,436,300</b>	<b>374,658</b>	<b>12,843</b>	<b>145,867</b>	<b>-</b>	<b>5,969,668</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,023,393</b>	<b>\$ 374,658</b>	<b>\$ 34,092</b>	<b>\$ 171,015</b>	<b>\$ (204,057)</b>	<b>\$ 10,399,101</b>

Town of East Lyme, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account -  
 General Fund  
 For the Year Ended June 30, 2017

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Transfers	Totals
<b>Revenues:</b>						
Property taxes	\$ 54,276,614	\$ -	\$ -	\$ -	\$ -	\$ 54,276,614
Intergovernmental	17,133,976	-	-	-	-	17,133,976
Charges for services	5,096,799	1,013,833	47,979	472,309	-	6,630,920
Interest income	41,473	14	-	-	-	41,487
<b>Total revenues</b>	<b>76,548,862</b>	<b>1,013,847</b>	<b>47,979</b>	<b>472,309</b>	<b>-</b>	<b>78,082,997</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Culture and recreation	2,069,216	-	-	467,397	-	2,536,613
Public works	3,844,951	-	-	-	-	3,844,951
Education	53,295,040	1,100,796	-	-	-	54,395,836
General government	6,800,527	-	48,183	-	-	6,848,710
Public safety	4,207,785	-	-	-	-	4,207,785
Health and welfare	267,197	-	-	-	-	267,197
Capital outlay	787,866	-	926	-	-	788,792
<b>Debt service:</b>						
Principal	3,976,190	-	-	-	-	3,976,190
Interest	1,307,044	-	-	-	-	1,307,044
<b>Total expenditures</b>	<b>76,555,816</b>	<b>1,100,796</b>	<b>49,109</b>	<b>467,397</b>	<b>-</b>	<b>78,173,118</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(6,954)</b>	<b>(86,949)</b>	<b>(1,130)</b>	<b>4,912</b>	<b>-</b>	<b>(90,121)</b>
<b>Other financing sources (uses):</b>						
Transfers in	409,525	-	-	-	(8,631)	400,894
Transfers (out)	(235,000)	-	(8,631)	-	8,631	(235,000)
Capital lease proceeds	-	-	-	-	-	-
Payment to escrow	(7,650,429)	-	-	-	-	(7,650,429)
Issuance of refunding bonds	7,320,000	-	-	-	-	7,320,000
Bond premium	330,429	-	-	-	-	330,429
<b>Total other financing sources (uses)</b>	<b>174,525</b>	<b>-</b>	<b>(8,631)</b>	<b>-</b>	<b>-</b>	<b>165,894</b>
<b>Change in fund balances</b>	<b>167,571</b>	<b>(86,949)</b>	<b>(9,761)</b>	<b>4,912</b>	<b>-</b>	<b>75,773</b>
Fund balances, beginning	5,268,729	461,607	22,604	140,955	-	5,893,895
Fund balances, ending	\$ 5,436,300	\$ 374,658	\$ 12,843	\$ 145,867	\$ -	\$ 5,969,668

Town of East Lyme, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding  
For the Year Ended June 30, 2017

Grand List Year	Balance Uncollected July 1, 2016	Current Levy	Lawful Corrections			Transfers to Suspense	Balance to be Collected	Collections				Balance Uncollected June 30, 2017
			Additions	Deletions				Taxes	Interest and Lien Fees	Total	Refunds	
2001	\$ 4,052	\$ -	\$ -	\$ -	\$ -	\$ 4,052	\$ -	\$ -	\$ -	\$ -	\$ 4,052	
2002	5,102	-	-	-	-	5,102	-	-	-	-	5,102	
2003	4,418	-	-	-	-	4,418	-	-	-	-	4,418	
2004	5,480	-	-	-	540	4,940	-	-	-	-	4,940	
2005	12,625	-	-	-	1,308	11,317	-	-	-	-	11,317	
2006	17,987	-	-	-	604	17,383	47	94	141	-	17,336	
2007	23,512	-	-	-	337	23,175	50	209	259	-	23,125	
2008	31,376	-	-	-	1,072	30,304	617	831	1,448	-	29,687	
2009	62,696	-	-	-	1,303	61,393	3,931	2,242	6,173	-	57,462	
2010	111,587	-	-	47	2,233	109,307	20,886	17,206	38,092	1,145	89,566	
2011	153,971	-	-	69	10,681	143,221	40,721	23,642	64,363	170	102,670	
2012	222,450	-	-	470	10,868	211,112	56,156	31,817	87,973	-	154,956	
2013	337,818	-	-	1,681	8,387	327,750	104,204	44,726	148,930	1,241	224,787	
2014	561,339	-	3,292	10,450	6,174	548,007	331,888	64,897	396,785	498	216,617	
2015	-	54,233,574	54,524	262,465	2,593	54,023,040	53,496,808	120,401	53,617,209	33,075	559,307	
	<u>\$ 1,554,413</u>	<u>\$ 54,233,574</u>	<u>\$ 57,816</u>	<u>\$ 275,182</u>	<u>\$ 46,100</u>	<u>\$ 55,524,521</u>	<u>\$ 54,055,308</u>	<u>\$ 306,065</u>	<u>\$ 54,361,373</u>	<u>\$ 36,129</u>	<u>\$ 1,505,342</u>	

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