

TOWN OF EAST LYME, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2020



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TOWN OF EAST LYME, CONNECTICUT
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JUNE 30, 2020

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Financial Section



Independent Auditors' 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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of East Lyme, Connecticut'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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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, 2020 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's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, as listed in the table of contents, 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, which 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.

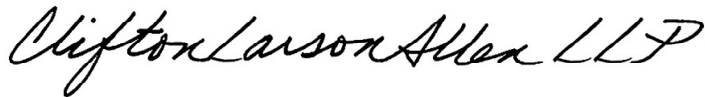
Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and 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 13, 2021 on our consideration of the Town of East Lyme, Connecticut'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 solely 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 of East Lyme, Connecticut'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 of East Lyme, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

West Hartford, Connecticut
May 13, 2021

**TOWN OF EAST LYME, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020.

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 most recent fiscal year by \$114,381,703 (net position). Of this amount, \$71,034,232 was attributable to governmental activities and \$43,347,471 to business-type activities.
- The Town's total net position increased by \$6,719,293. This was primarily due to increases in capital assets.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,474,808, an increase of \$7,115,581 in comparison with the prior year. The increase is due to favorable activity in the general fund and permanent financing of various activities in the capital funds.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$8,196,555 or 10.2% of total general fund expenditures and transfers out.
- The Town's total bond/note debt increased by \$9.780 million during the current fiscal year.

Overview of the Basic 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 Exhibits I and II.

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 nine 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, the sewer assessment fund, the bonded projects fund, and the capital nonrecurring fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the

Sewer Department. The Sewer Department is considered a major fund of the Town. Data for the internal service fund is also provided as a separate column in the proprietary fund financial statements.

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

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

Other Information

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position and an important determinant of its ability to finance services in the future. The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$114,381,703 at the close of the fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 37,090,996	\$ 30,757,386	\$ 440,280	\$ 343,489	\$ 37,531,276	\$ 31,100,875
Capital assets, net of accumulated depreciation	144,065,884	134,524,900	43,048,374	43,789,075	187,114,258	178,313,975
Total assets	<u>181,156,880</u>	<u>165,282,286</u>	<u>43,488,654</u>	<u>44,132,564</u>	<u>224,645,534</u>	<u>209,414,850</u>
Deferred outflows of resources	4,430,234	3,011,354	-	-	4,430,234	3,011,354
Current and other liabilities	22,940,201	19,460,926	141,183	180,682	23,081,384	19,641,608
Long-term liabilities outstanding	87,874,653	82,184,459	-	-	87,874,653	82,184,459
Total liabilities	<u>110,814,854</u>	<u>101,645,385</u>	<u>141,183</u>	<u>180,682</u>	<u>110,956,037</u>	<u>101,826,067</u>
Deferred inflows of resources	3,738,028	2,937,727	-	-	3,738,028	2,937,727
Net Position:						
Net investments in capital assets	72,655,361	64,645,328	43,048,374	43,789,075	115,703,735	108,434,403
Restricted	284,367	31,688	-	-	284,367	31,688
Unrestricted	<u>(1,905,496)</u>	<u>(966,488)</u>	<u>299,097</u>	<u>162,807</u>	<u>(1,606,399)</u>	<u>(803,681)</u>
Total Net Position	<u>\$ 71,034,232</u>	<u>\$ 63,710,528</u>	<u>\$ 43,347,471</u>	<u>\$ 43,951,882</u>	<u>\$ 114,381,703</u>	<u>\$ 107,662,410</u>

By far the largest portion of the Town's net position (101.2%) 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.

An additional portion of the Town's net position, \$284,367, represents resources that are subject to external restrictions on how they may be used. Any remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities

Already noted was the statement of activities' purpose in presenting information on how the Town's net position changed during the most recent fiscal year. A summary of changes in net position follows. For the fiscal year, net position increased by \$7,323,704. The increase was primarily due to the addition of capital assets.

The reader should remember that the basis of accounting used in the government-wide statement of activities excludes capital expenditures, while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 10,831,272	\$ 10,891,248	\$ 2,038,341	\$ 1,949,102	\$ 12,869,613	\$ 12,840,350
Operating grants and contributions	18,640,561	11,430,893			18,640,561	11,430,893
Capital grants and contributions	3,671,976	4,281,295	74,648		3,746,624	4,281,295
General revenues:						
Property taxes	62,150,569	59,757,913			62,150,569	59,757,913
Grants not restricted to specific programs	1,036,690	1,103,706			1,036,690	1,103,706
Unrestricted investment earnings	210,784	241,941			210,784	241,941
Miscellaneous revenue	6,756				6,756	-
Total revenues	<u>96,548,608</u>	<u>87,706,996</u>	<u>2,112,989</u>	<u>1,949,102</u>	<u>98,661,597</u>	<u>89,656,098</u>
Expenses:						
General government	9,773,287	9,861,181			9,773,287	9,861,181
Public safety	4,918,209	4,644,142			4,918,209	4,644,142
Public works	6,711,320	7,239,722			6,711,320	7,239,722
Health and welfare	230,512	262,940			230,512	262,940
Culture and recreation	2,601,156	2,678,857			2,601,156	2,678,857
Education	62,213,886	57,656,116			62,213,886	57,656,116
Interest and fiscal charges	2,687,427	966,808			2,687,427	966,808
Sewer department			2,806,507	2,806,585	2,806,507	2,806,585
Total expenses	<u>89,135,797</u>	<u>83,309,766</u>	<u>2,806,507</u>	<u>2,806,585</u>	<u>91,942,304</u>	<u>86,116,351</u>
Change in net position before transfers	7,412,811	4,397,230	(693,518)	(857,483)	6,719,293	3,539,747
Transfers	(89,107)	(93,293)	89,107	93,293	-	-
Change in net position	<u>7,323,704</u>	<u>4,303,937</u>	<u>(604,411)</u>	<u>(764,190)</u>	<u>6,719,293</u>	<u>3,539,747</u>
Net Position at Beginning of Year	<u>63,710,528</u>	<u>59,406,591</u>	<u>43,951,882</u>	<u>44,716,072</u>	<u>107,662,410</u>	<u>104,122,663</u>
Net Position at End of Year	<u>\$ 71,034,232</u>	<u>\$ 63,710,528</u>	<u>\$ 43,347,471</u>	<u>\$ 43,951,882</u>	<u>\$ 114,381,703</u>	<u>\$ 107,662,410</u>

For governmental activities, 64.4% of the revenues were derived from property taxes, followed by 23.1% from grants and contributions and 11.2% for charges for services.

Major revenue factors included:

- Property tax increased \$2.4 million due to an increase in the grand list and in the mil rate
- Grants and contributions increased by \$6.6 million due to an increase in the revenues recognized by the Town relative to the State contributions on behalf of the Town of East Lyme for State Teacher's retirement.

For governmental activities, approximately 69.8% of the Town's expenses relate to education, 11.0% relate to general government, 7.5% relate to public works operations, 5.5% to public safety and the remaining 6.2% relate to interest expense, health and welfare, recreation and miscellaneous.

Major expense factors include:

- Education expenses increased \$4.6 million due to scheduled contractual increases in salaries and benefits and an increase in the Town's share of the net pension liability associated with the State Teacher's Retirement Fund.
- Interest and fiscal charges increased \$1.7 million due to interest payments on new and short-term borrowings.

Business-Type Activities

Business-type activities (Sewer Department) decreased the Town's net position by \$604,411, or 1.4%. 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 \$8.2 million, while total fund balance reached \$10.1 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 10.1% of total general fund expenditures and operating transfers out.

The fund balance for the Town's general fund increased by approximately \$2.725 million during the current fiscal year. A key factor in this is as follows:

Greater than estimated tax collections, receipt of a large commercial construction project building permit fee, strong real estate market and greater than estimated state revenues. In addition, due to conservative spending practices, there were remaining budget appropriations at year-end.

The Sewer Assessments fund balance increased by \$.511 million due scheduled payments in excess of expenditures.

The Bonded Project Fund decreased \$.532 million due to capital expenditures in excess of financing proceeds.

The Capital Nonrecurring Fund increased \$3.884 million due to debt issuances in excess of capital outlay.

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 \$43.3 million, a decrease of \$.604 million over the prior year. Unrestricted net position for the Sewer Department reflected \$.300 million of total Net Position.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$157,097.

During the year, actual revenues, including transfers in, were \$75.4 million, which was greater than budgetary estimates by \$1.447 million. Major contributors were:

- \$.223 million greater due to better than expected aggregate tax collections
- \$.413 million greater combined net effect for various local fees and charges for services estimates
- \$.734 million greater due to various intergovernmental grants

Expenditures, including transfers out, were \$72.7 million, coming in \$1.6 million under budgetary estimates. Significant budgetary variances were as follows:

- General government expenditures were \$.256 million under budget primarily due to conservative benefit and contingency estimates
- Education expenditures were \$.575 million under budget due to the onset of the pandemic and changing to a remote learning environment for the last three months of the school year
- Interest and other charges were \$.392 million under budget due to a refunding in August 2019 which had an impact on the payment schedule

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, 2020, amounted to \$172 million (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park, facilities, roads, sewers and bridges. The total net increase in the Town’s investment in capital assets for the current fiscal year was \$9.4 million, an increase of 5.8%.

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

- \$1,314,211 for improvements and reconstruction to road infrastructure
- \$696,026 investment in new vehicles for various departments including Board of Education, Public Works, Police, Engineering and Fire Marshal
- \$220,486 various town-wide building improvements
- \$199,626 acquisition of new equipment

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 15,199,447	\$ 15,199,447	\$ 608,210	\$ 608,210	\$ 15,807,657	\$ 15,807,657
Construction in progress	37,408,343	24,499,596	14,805	14,805	37,423,148	24,514,401
Buildings and improvements	56,652,253	58,671,125	2,706,901	2,798,528	59,359,154	61,469,653
Machinery and equipment	4,006,650	4,207,755	167,968	107,992	4,174,618	4,315,747
Vehicles	5,301,861	5,209,911			5,301,861	5,209,911
Infrastructure	10,139,034	10,757,020			10,139,034	10,757,020
Water distribution systems	15,358,296	15,980,046				
Sewer distribution systems			39,550,490	40,259,540	39,550,490	40,259,540
Total	\$ 144,065,884	\$ 134,524,900	\$ 43,048,374	\$ 43,789,075	\$ 171,755,962	\$ 162,333,929

Additional information on the Town’s capital assets can be found in Note 5 of this report.

Long-Term Debt. At the end of the current fiscal year, the Town has total bonded debt outstanding of \$67.2 million, all of which is backed by the full faith and credit of the Town government.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General purpose bonds	\$ 46,800,000	\$ 41,435,000	\$	\$	\$ 46,800,000	\$ 41,435,000
Bond anticipation notes	14,780,000	10,000,000			14,780,000	10,000,000
Drinking water notes	5,600,001	5,964,650			5,600,001	5,964,650
Total	<u>\$ 67,180,001</u>	<u>\$ 57,399,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,180,001</u>	<u>\$ 57,399,650</u>

The Town’s total long-term bonds and notes payable, including the portion of bond anticipation notes permanently financed subsequent to year end, increased by 9.780 million during the 2020 fiscal year due to the net impact of debt retired and debt issued. The Town received a S & P Global Rating Service rating of AA on the most recent bond issue. Additional information can be found in the note 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 2021 budget tax rates, the primary factor being the economy and uncertainty at the State level of government. Unemployment in the Town is at 3.5% and 3.9% for 2019 and 2018. This compares with the State’s average unemployment rate of 3.7 % and 4.2% and is .1% lower than the New London County average rate of 3.6%.

Revenues

The Town adopted its budget maintaining the level of state revenues. However, while it appears there was an increase in the Education Cost Share it was actually maintained at the prior year level. In the prior year our estimate was less than the actual amount received. During the budget process, expenditure reductions were made and an overall increase in taxes of \$.959 million. There was an increase in the grand list of 10/1/2019 of \$28 million or 1.28%. The increase was due to commercial construction completion at time of establishing the grand list. Significant revenue issues were as follows:

- Increase of \$308 thousand noted in Education Cost Sharing Grant, due to prior year conservative estimate
- Out of district tuition fees increased by \$50 thousand due to enrollment estimates
- Increase in Building Permit fees of \$77 thousand due to large commercial project
- Decrease of \$15 thousand for investment return on investments due to declining interest rates
- Decrease of \$87 thousand for Salem debt payment subsidy due to obligation being paid in full
- Increase of \$27 thousand for landfill fees due to changes in the fee structure to be more in line with the cost of disposal
- Decrease of \$52 thousand in Commercial Tipping Fees due to small businesses using town provided trash cans
- Increase of \$90 thousand Operating Transfer In from Capital Projects, due to completion of capital projects and use of bond premiums to defray cost of debt service
- Increase of \$725 thousand of applied fund balance due to the Town’s concern for taxpayers experiencing financial difficulties as a result of the impact of the pandemic

Expenditures

The wage increases for Town employees was 2.25% for Unaffiliated and Administrative/Maintenance Bargaining Unit, and 2.5% for Police, Firefighters and Dispatchers. The Board of Education Secretarial Group received 1% and step or 2.5% if at top step, and the Custodians received 2.5% plus step. Administrators wage increases were 1.5% and teachers .86% plus step. The Paraprofessional Group received 2% if at top step all other employees moved up a step with no general wage increase.

The Board of Education requested a budget increase of \$2.5 million of \$51.7 million; the Board of Finance reduced the bottom line by \$.827 million to \$50.9 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 2021 fiscal year. During the current fiscal year, unassigned fund balance in the general fund increased to \$7.4 million. The Town did appropriate \$900,000 of fund balance for spending in the 2021 fiscal year budget due to concern for impacts of the pandemic.

Overall, the fiscal year 2020 – 2021 budget was increased \$2 million or 2.7%. Town government increased \$335 thousand (1.81%) more than fiscal year 2020, debt service increased \$218 thousand (3.9%), and the Board of Education increased \$1.6 million (3.3%) from the prior year. Capital expenditures were decreased \$176 thousand (-21.32%).

The following factors played a role in our setting the budget for fiscal year 2020 – 2021 both from revenue and from an expense point of view:

- The economic picture of slow, if any, growth, the uncertainty of State Aid to municipalities in future fiscal years with the increased need to replace stagnant and declining State Aid and declining local revenues with property taxes. In addition, the reality of the Town's picking up a share of the annual required contribution to the Teachers' Pension is a topic in the State's annual legislative sessions.
- In March 2020, the impact of COVID-19 changed the environment for Town and Board of Education operations as we closed our doors to the public and went to a remote learning environment. In addition, the taxpayers experienced their own difficulties. Due to the continued uncertainty for the upcoming 2020/2021 fiscal year, town officials were conservative relative to any tax increases.
- 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 2019/20 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 2020/2021 budget totals \$76.2 million, which represents a 2.7% increase in expenditures from the fiscal year 2020 adopted budget. The Town's mill rate increased from 28.19 to 28.36 a .17 or a .60% increase. This represents a fiscally conservative and prudent approach to developing a Town-wide spending plan for the fiscal year.

Requests for Information

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

Basic Financial Statements

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 21,864,796	\$ 423,057	\$ 22,287,853
Cash held by escrow agent	1,073,593		1,073,593
Receivables:			
Property taxes, net	2,925,857		2,925,857
User charges, net	3,451,670	442,071	3,893,741
Loans	-		-
Intergovernmental	6,146,723		6,146,723
Other receivables	1,111,593	31,006	1,142,599
Internal balances	472,454	(472,454)	-
Other assets	44,310	16,600	60,910
Total current assets	<u>37,090,996</u>	<u>440,280</u>	<u>37,531,276</u>
Noncurrent Assets:			
Capital assets, non depreciable	52,607,790	623,015	53,230,805
Capital assets, net of accumulated depreciation	91,458,094	42,425,359	133,883,453
Total noncurrent assets	<u>144,065,884</u>	<u>43,048,374</u>	<u>187,114,258</u>
Total assets	<u>181,156,880</u>	<u>43,488,654</u>	<u>224,645,534</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	200,146		200,146
Deferred outflows related to pension	1,605,520		1,605,520
Deferred outflows related to OPEB	2,624,568		2,624,568
Total deferred outflows of resources	<u>4,430,234</u>	<u>-</u>	<u>4,430,234</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	3,151,244	139,943	3,291,187
Accrued interest payable	1,494,130		1,494,130
Unearned revenue	31,786	1,240	33,026
Interim funding obligation	2,009,014		2,009,014
Bond anticipation notes payable	10,045,000		10,045,000
Current maturities of long-term obligations	6,209,027		6,209,027
Total current liabilities	<u>22,940,201</u>	<u>141,183</u>	<u>23,081,384</u>
Noncurrent liabilities:			
Due in more than one year	87,874,653		87,874,653
Total liabilities	<u>110,814,854</u>	<u>141,183</u>	<u>110,956,037</u>
Deferred Inflows of Resources:			
Deferred inflows related to pension	1,578,665		1,578,665
Deferred inflows related to OPEB	2,159,363		2,159,363
Total deferred inflows of resources	<u>3,738,028</u>	<u>-</u>	<u>3,738,028</u>
Net Position:			
Net investment in capital assets	72,655,361	43,048,374	115,703,735
Restricted for:			
Endowments:			
Nonexpendable	534		534
Education	264,770		264,770
Culture and recreation	19,063		19,063
Unrestricted	(1,905,496)	299,097	(1,606,399)
Total Net Position	<u>\$ 71,034,232</u>	<u>\$ 43,347,471</u>	<u>\$ 114,381,703</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Program Activities	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 9,773,287	\$ 2,070,460	\$ 7,326,363	\$ 1,596,555	\$ 1,220,091		\$ 1,220,091
Public safety	4,918,209	280,932			(4,637,277)		(4,637,277)
Public works	6,711,320	4,077,781			(2,633,539)		(2,633,539)
Health and welfare	230,512				(230,512)		(230,512)
Culture and recreation	2,601,156	443,388	5,500		(2,152,268)		(2,152,268)
Education	62,213,886	3,958,711	11,308,698	2,075,421	(44,871,056)		(44,871,056)
Interest and fiscal charges	2,687,427				(2,687,427)		(2,687,427)
Total governmental activities	<u>89,135,797</u>	<u>10,831,272</u>	<u>18,640,561</u>	<u>3,671,976</u>	<u>(55,991,988)</u>	<u>-</u>	<u>(55,991,988)</u>
Business-type activities:							
Sewer	2,806,507	2,038,341		74,648		(693,518)	(693,518)
Total business-type activities	<u>2,806,507</u>	<u>2,038,341</u>	<u>-</u>	<u>74,648</u>	<u>-</u>	<u>(693,518)</u>	<u>(693,518)</u>
Total Primary Government	<u>\$ 91,942,304</u>	<u>\$ 12,869,613</u>	<u>\$ 18,640,561</u>	<u>\$ 3,746,624</u>	<u>(55,991,988)</u>	<u>(693,518)</u>	<u>(56,685,506)</u>
General revenues:							
Property taxes					62,150,569		62,150,569
Grants and contributions not restricted to specific programs					1,036,690		1,036,690
Unrestricted investment earnings					210,784		210,784
Miscellaneous					6,756		6,756
Transfers					(89,107)	89,107	-
Total general revenues and transfers					<u>63,315,692</u>	<u>89,107</u>	<u>63,404,799</u>
Change in net position					7,323,704	(604,411)	6,719,293
Net Position at Beginning of Year					<u>63,710,528</u>	<u>43,951,882</u>	<u>107,662,410</u>
Net Position at End of Year					<u>\$ 71,034,232</u>	<u>\$ 43,347,471</u>	<u>\$ 114,381,703</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General Fund</u>	<u>Sewer Assessments Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 8,058,125	\$ 2,419,675	\$ 4,514,324	\$ 4,573,067	\$ 1,818,431	\$ 21,383,622
Cash held by escrow agent			1,073,593			1,073,593
Receivables:						
Property taxes receivable, net	2,925,857					2,925,857
Assessment/User charges	43,983	2,506,051			901,636	3,451,670
Intergovernmental	327,474		4,198,241	1,428,282	192,726	6,146,723
Other receivables	911,899	84,533		105,431	9,730	1,111,593
Due from other funds	2,952,901	619,400	126,580	724,669	62,527	4,486,077
Advances to other funds		521,294				521,294
Other					44,310	44,310
Total Assets	<u>\$ 15,220,239</u>	<u>\$ 6,150,953</u>	<u>\$ 9,912,738</u>	<u>\$ 6,831,449</u>	<u>\$ 3,029,360</u>	<u>\$ 41,144,739</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accruals	\$ 1,440,846	\$	\$ 989,677	\$ 137,893	\$ 425,729	\$ 2,994,145
Due to other funds	443,165		2,046,978		336,887	2,827,030
Unearned revenue					31,786	31,786
Advances from other funds			521,294			521,294
Interim funding obligation			2,009,014			2,009,014
Bond anticipation notes payable			8,045,000	2,000,000		10,045,000
Total liabilities	<u>1,884,011</u>	<u>-</u>	<u>13,611,963</u>	<u>2,137,893</u>	<u>794,402</u>	<u>18,428,269</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	2,844,962					2,844,962
Unavailable revenue - assessments		2,575,622			840,388	3,416,010
Unavailable revenue - grants	365,735		4,186,296	1,428,282		5,980,313
Unavailable revenue - other	377					377
Total deferred inflows of resources	<u>3,211,074</u>	<u>2,575,622</u>	<u>4,186,296</u>	<u>1,428,282</u>	<u>840,388</u>	<u>12,241,662</u>
Fund balances:						
Nonspendable					44,844	44,844
Restricted					283,833	283,833
Committed		3,575,331		3,265,274	1,065,893	7,906,498
Assigned	1,928,599					1,928,599
Unassigned	8,196,555		(7,885,521)			311,034
Total fund balances	<u>10,125,154</u>	<u>3,575,331</u>	<u>(7,885,521)</u>	<u>3,265,274</u>	<u>1,394,570</u>	<u>10,474,808</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,220,239</u>	<u>\$ 6,150,953</u>	<u>\$ 9,912,738</u>	<u>\$ 6,831,449</u>	<u>\$ 3,029,360</u>	<u>\$ 41,144,739</u>

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TOWN OF EAST LYME, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2020

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net
position (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 10,474,808
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 270,596,378	
Less accumulated depreciation	<u>(126,530,494)</u>	
Net capital assets		144,065,884

Other long-term assets and deferred outflows of resources are not available to
pay for current-period expenditures and, therefore, are deferred in the funds:

Property tax receivables greater than 60 days	2,844,962
Water and sewer assessments	3,416,010
Intergovernmental grants	5,980,313
Charges for services	377
Deferred outflows related to pensions	1,605,520
Deferred outflows related to OPEB	2,624,568

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 reported with governmental activities
in the statement of net position.

(862,518)

Long-term liabilities and deferred inflows of resources are not due and payable
in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(67,180,001)
Capital lease payable	(2,493,095)
Deferred charge on refunding	200,146
Unamortized premium on bonds payable	(3,030,301)
Interest payable on bonds	(1,494,130)
Landfill post-closure costs	(13,940)
Retainage	(221,440)
Claims and other	(750,000)
Total OPEB liability	(9,474,698)
Compensated absences	(5,187,591)
Net pension liability	(5,732,614)
Deferred inflows related to OPEB	(2,159,363)
Deferred inflows related to pensions	<u>(1,578,665)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 71,034,232</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes, interest and lien fees	\$ 61,995,733	\$	\$	\$	\$	\$ 61,995,733
Intergovernmental revenues	14,953,081		1,066,731	245,207	1,414,304	17,679,323
Charges for services	6,345,558	540,059	-	302,364	3,752,650	10,940,631
Investment income	147,132	23,606	35,071	4,125	850	210,784
Other				1,005	5,751	6,756
Total revenues	<u>83,441,504</u>	<u>563,665</u>	<u>1,101,802</u>	<u>552,701</u>	<u>5,173,555</u>	<u>90,833,227</u>
Expenditures:						
Current:						
General government	7,631,665					7,631,665
Public safety	4,563,330					4,563,330
Public works	3,598,002	22,734			2,372,915	5,993,651
Health and welfare	230,511					230,511
Parks and recreation	2,499,866				29,645	2,529,511
Education	56,225,266				1,754,887	57,980,153
Debt service:						
Principal retirement	4,011,242				312,564	4,323,806
Interest and other charges	1,195,838		714,940	29,256	63,110	2,003,144
Capital outlay	544,532		13,882,707	1,522,696	14,670	15,964,605
Total expenditures	<u>80,500,252</u>	<u>22,734</u>	<u>14,597,647</u>	<u>1,551,952</u>	<u>4,547,791</u>	<u>101,220,376</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,941,252</u>	<u>540,931</u>	<u>(13,495,845)</u>	<u>(999,251)</u>	<u>625,764</u>	<u>(10,387,149)</u>
Other Financing Sources (Uses):						
Issuance of bonds			10,505,000	4,700,000		15,205,000
Issuance of refunding bonds			7,025,000			7,025,000
Issuance premiums			2,400,397	42,018		2,442,415
Capital lease proceeds			1,126,992			1,126,992
Payment to refunded bond escrow agent			(8,133,067)			(8,133,067)
Transfers in from other funds	44,195		40,000	185,730		269,925
Transfers out to other funds	(260,233)	(30,105)		(44,195)	(99,002)	(433,535)
Total other financing (uses)	<u>(216,038)</u>	<u>(30,105)</u>	<u>12,964,322</u>	<u>4,883,553</u>	<u>(99,002)</u>	<u>17,502,730</u>
Net Change in Fund Balances	2,725,214	510,826	(531,523)	3,884,302	526,762	7,115,581
Fund Balances at Beginning of Year	<u>7,399,940</u>	<u>3,064,505</u>	<u>(7,353,998)</u>	<u>(619,028)</u>	<u>867,808</u>	<u>3,359,227</u>
Fund Balances at End of Year	<u>\$ 10,125,154</u>	<u>\$ 3,575,331</u>	<u>\$ (7,885,521)</u>	<u>\$ 3,265,274</u>	<u>\$ 1,394,570</u>	<u>\$ 10,474,808</u>

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**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 7,115,581
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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.

Capital outlay	15,319,096
Depreciation expense	(5,778,112)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes receivable - accrual basis change	154,836
Charges for services - accrual basis change	(109,359)
Intergovernmental grants - accrual basis change	2,680,399
Changes in deferred outflows related to OPEB	653,317
Changes in deferred outflows related to pensions	1,048,210

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds issuance	(17,450,000)
Bond anticipation note payable issuance	(14,780,000)
Principal payments on bonds and notes payable	22,449,649
Premium on bonds issued	(2,259,603)
Capital lease issuance	(1,126,992)
Capital lease payments	1,017,352

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.

Amortization of deferred charge on refunding	(282,647)
Amortization of premium	497,121
Change in accrued interest	(1,074,345)
Landfill post-closure costs	98,330
Change in retainage payable	1,122,588
Change in claims payable	(200,000)
Change in compensated absences	(394,145)
Change in net pension liability	543,146
Change in total OPEB liability	(1,416,667)
Change in deferred inflows related to OPEB	28,109
Change in deferred inflows related to pension	(828,410)

The net expense of the internal service funds is reported with governmental activities.	<u>296,250</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 7,323,704</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities Enterprise Fund	Governmental Activities
	Sewer Department	Internal Service Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 423,057	\$ 481,174
Receivables:		
User charges, net	442,071	
Other	31,006	
Due from other funds	146,946	15,918
Other assets	16,600	
Total current assets	<u>1,059,680</u>	<u>497,092</u>
Noncurrent assets:		
Capital assets, nondepreciable	623,015	
Capital assets, net of accumulated depreciation	42,425,359	
Total noncurrent assets	<u>43,048,374</u>	<u>-</u>
Total assets	<u>44,108,054</u>	<u>497,092</u>
Liabilities:		
Current liabilities:		
Accounts payable	56,633	
Compensated absences	80,205	
Due to other funds	619,400	1,202,511
Meter deposits	3,105	
Unearned revenue	1,240	
Claims incurred but not reported		157,099
Total liabilities	<u>760,583</u>	<u>1,359,610</u>
Net Position:		
Investment in capital assets	43,048,374	-
Unrestricted	299,097	(862,518)
Total Net Position	<u>\$ 43,347,471</u>	<u>\$ (862,518)</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities Enterprise Fund	Governmental Activities
	Sewer Department	Internal Service Fund
Operating Revenues:		
Charges for services	\$ 2,038,341	\$ 202,000
Other		22,087
Total operating revenues	<u>2,038,341</u>	<u>224,087</u>
Operating Expenses:		
Medical claims		
Administration		2,340
Salaries and benefits	712,700	
Operations and Maintenance	1,210,180	
Contracted and purchased services	68,278	
Materials and supplies		
Utilities		
Depreciation expense	815,349	
Total operating expenses	<u>2,806,507</u>	<u>2,340</u>
Operating Income (Loss)	<u>(768,166)</u>	<u>221,747</u>
Capital contribution	74,648	
Transfers in	89,107	74,503
	<u>163,755</u>	<u>74,503</u>
Change in Net Position	(604,411)	296,250
Net Position at Beginning of Year	<u>43,951,882</u>	<u>(1,158,768)</u>
Net Position at End of Year	<u>\$ 43,347,471</u>	<u>\$ (862,518)</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities Enterprise Fund	Governmental Activities
	Sewer Department	Internal Service Fund
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,936,837	\$ 224,087
Payments to suppliers	(1,314,752)	
Payments to employees	(686,049)	
Claims paid and administration		(1,479,272)
Net cash provided by (used in) operating activities	<u>(63,964)</u>	<u>(1,255,185)</u>
Cash Flows from Noncapital Financing Activities:		
Interfund borrowings	(93,178)	1,217,717
Transfers from other funds	89,107	74,503
Net cash provided by (used in) noncapital financing activities	<u>(4,071)</u>	<u>1,292,220</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(68,035)	37,035
Cash and Cash Equivalents at Beginning of Year	<u>491,092</u>	<u>444,139</u>
Cash and Cash Equivalents at End of Year	<u>\$ 423,057</u>	<u>\$ 481,174</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (768,166)	\$ 221,747
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	815,349	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(67,566)	
(Increase) decrease in other assets	(4,082)	
Increase (decrease) in accounts payable	(32,212)	(737,610)
Increase (decrease) in meter deposits	(70)	
Increase (decrease) in compensated absences	26,651	
Increase (decrease) in unearned revenues	(33,868)	
Increase (decrease) in claims payable		(739,322)
Total adjustments	<u>704,202</u>	<u>(1,476,932)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (63,964)</u>	<u>\$ (1,255,185)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 107,058	\$ 1,173,865
Investments, at fair value:			
Mutual funds	<u>28,247,484</u>	<u> </u>	<u> </u>
Total assets	<u>28,247,484</u>	<u>107,058</u>	<u>1,173,865</u>
Liabilities:			
Due to other funds			216,456
Fiduciary deposits			<u>957,409</u>
Total liabilities			<u>\$ 1,173,865</u>
Net Position:			
Restricted for pension benefits and other trust purposes	<u>\$ 28,247,484</u>	<u>\$ 107,058</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 1,631,543	\$
Plan members	262,323	
Private contributions		1,728
Total contributions	<u>1,893,866</u>	<u>1,728</u>
Investment earnings:		
Net change in fair value of investments	636,545	
Interest		1,557
Total investment earnings	<u>636,545</u>	<u>1,557</u>
Total additions	<u>2,530,411</u>	<u>3,285</u>
Deductions:		
Benefits	859,913	
Administration	19,500	
Total deductions	<u>879,413</u>	<u>-</u>
Change in Net Position	1,650,998	3,285
Net Position at Beginning of Year	<u>26,596,486</u>	<u>103,773</u>
Net Position at End of Year	<u>\$ 28,247,484</u>	<u>\$ 107,058</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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) as prescribed by Governmental Accounting Standards Board (GASB) 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. There are no entities that are required to be reported as component units.

B. Basis of Presentation

The financial statements of the Town have been prepared in conformity with GAAP as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described as follows:

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. The effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and proprietary funds are reported as separate columns in the fund financial statements.

C. 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 funds and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency fund financial statements are on the accrual basis with no measurement focus.

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

Property taxes when levied for, charges for services, and interest associated with the current fiscal period and intergovernmental revenues when eligibility requirements are met 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.

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*, a special revenue fund, accounts for the resources that are used to finance sewer system improvements.

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 operations.

Additionally, the Town reports the following fund types:

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

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

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

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

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

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

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 producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund and of the Town's internal service fund are charges to customers for sales and services. Operating expenses for the enterprise fund and the internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, when purchased, such as certificates of deposit and investment pools.

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.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Investments

All investments are stated at fair value.

F. Receivables and Payables

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.

Allowance for Doubtful Accounts

Accounts receivable, including property taxes receivable, are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts that are deemed uncollectible based upon past collection history and management's assessment of creditor's ability to pay.

Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds".

G. Inventory

Purchased inventory for the school cafeteria fund, a special revenue fund, is valued at lower of cost or market (first-in, first-out method). USDA donated commodities are valued at market value plus the amount disbursed for processing and storage charges. Expenditures are recognized when consumed.

H. 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.

**TOWN OF EAST LYME, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30-100
Infrastructure	25-75
Sewer Systems	50-75
Water systems	25-50
Machinery, equipment and vehicles	5-15

Capital outlay is reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

I. Compensated Absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for amounts due, for example, as a result of employee resignations and retirements. The general fund is typically used to liquidate the liability.

J. 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.

K. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

L. 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. The Town reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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 also reports deferred inflows of resources related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). In addition, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, interest on property taxes, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

M. Long-Term Obligations

In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued, including capital leases, 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. Principal payments, and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Equity

Equity in the government-wide financial statements is defined as “net position.” Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The components of net position are detailed below:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets net of unexpended proceeds. 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.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Unrestricted Net Position

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.

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance

These amounts cannot be spent because they are not in spendable 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 by external parties, such as debt covenants, grantors, contributors, or laws or regulations of other governments.

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Board of Finance is the highest level of decision making authority for the Town and can commit fund balance through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until similar action is taken to remove or revise the limitation.

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.

O. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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, 2020 aggregated \$157,097 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 (RSI-1) 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.

B. Fund Deficits

At June 30, 2020, the Town reported deficit fund balance/net position in the following funds:

Bonded Capital Projects	\$	7,885,521
Internal Service Fund		862,518

The Bonded Capital Projects fund deficit will be eliminated by grant funding and future bonding. The Town has not yet determined how the Internal Service Fund deficit will be eliminated.

**TOWN OF EAST LYME, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by the Statutes or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

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 and 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. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits may not be returned to it. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$23,302,052 of the Town’s bank balance of \$25,395,869 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 20,820,755
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>2,481,297</u>
Total Amount Subject to Custodial Risk	<u>\$ 23,302,052</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town’s cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2020, the Town's cash equivalents amounted to \$972,102. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm

Investments

At June 30, 2020, the Town's investments (all pension fund investments) of \$28,247,484 consisted entirely of mutual funds.

Investment Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town policy is to pre-qualify all financial institutions that it will do business with. The Town has no amounts subject to custodial credit risk.

Interest Rate Risk

The Town's investment policy limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments

Connecticut state statutes limit the investment options of cities and towns. The Town has adopted an investment policy that allows the same type of investments as state statutes.

Concentration of Credit Risk

The Town's investment policy requires diversification by limiting investments to avoid overconcentration in securities from a specific issuer. No more than 5% of the Town's investments were invested in any one issuer in which credit risk was applicable.

Fair Value

The Town uses fair value measurements to record fair value adjustments to certain assets 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.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

The three categories within the hierarchy are as follows:

Level 1

Quoted prices in active markets for identical assets and liabilities.

Level 2

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

Level 3

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

The Town has the following recurring fair value measurements as of June 30, 2020:

	<u>June 30, 2020</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Mutual Funds	\$ 28,247,484	\$ 28,247,484	\$ -	\$ -

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

4. RECEIVABLES

Receivable as of year end for the Town's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are presented below.

	<u>General Fund</u>	<u>Sewer Assessments Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Fund</u>	<u>Sewer Department</u>	<u>Nonmajor and Other Funds</u>
Receivables:						
Property taxes	\$ 3,025,857	\$	\$	\$	\$	\$
Water and sewer use fees	43,983	2,646,051			449,571	918,636
Intergovernmental	327,474	0	4,198,241	1,428,282		192,726
Other receivables	911,899	84,533	0	105,431	31,006	9,730
Gross receivables	<u>4,309,213</u>	<u>2,730,584</u>	<u>4,198,241</u>	<u>1,533,713</u>	<u>480,577</u>	<u>1,121,092</u>
Less allowance for uncollectible	<u>(100,000)</u>	<u>(140,000)</u>			<u>(7,500)</u>	<u>(17,000)</u>
Net Total Receivables	<u>\$ 4,209,213</u>	<u>\$ 2,590,584</u>	<u>\$ 4,198,241</u>	<u>\$ 1,533,713</u>	<u>\$ 473,077</u>	<u>\$ 1,104,092</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,199,447	\$	\$	\$ 15,199,447
Construction in progress	24,499,596	12,908,747		37,408,343
Total capital assets not being depreciated	<u>39,699,043</u>	<u>12,908,747</u>	<u>-</u>	<u>52,607,790</u>
Capital assets being depreciated:				
Buildings and improvements	128,104,404	200,486		128,304,890
Machinery and equipment	10,143,209	199,626		10,342,835
Vehicles	11,129,373	696,026		11,825,399
Infrastructure	35,197,664	1,314,211		36,511,875
Water distribution systems	31,003,589			31,003,589
Total capital assets being depreciated	<u>215,578,239</u>	<u>2,410,349</u>	<u>-</u>	<u>217,988,588</u>
Total capital assets	<u>255,277,282</u>	<u>15,319,096</u>	<u>-</u>	<u>270,596,378</u>
Less accumulated depreciation for:				
Buildings and improvements	69,433,279	2,219,358		71,652,637
Machinery and equipment	5,935,454	400,731		6,336,185
Vehicles	5,919,462	604,076		6,523,538
Infrastructure	24,440,644	1,932,197		26,372,841
Water distribution systems	15,023,543	621,750		15,645,293
Total accumulated depreciation	<u>120,752,382</u>	<u>5,778,112</u>	<u>-</u>	<u>126,530,494</u>
Total capital assets being depreciated, net	<u>94,825,857</u>	<u>(3,367,763)</u>	<u>-</u>	<u>91,458,094</u>
Governmental Activities Capital Assets, Net	<u>\$ 134,524,900</u>	<u>\$ 9,540,984</u>	<u>\$ -</u>	<u>\$ 144,065,884</u>

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 608,210	\$	\$	\$ 608,210
Construction in progress	14,805			14,805
Total capital assets not being depreciated	<u>623,015</u>	<u>-</u>	<u>-</u>	<u>623,015</u>
Capital assets being depreciated:				
Buildings and improvements	5,090,394			5,090,394
Machinery and equipment	716,510	69,648		786,158
Sewer distribution systems	59,433,349	5,000		59,438,349
Total capital assets being depreciated	<u>65,240,253</u>	<u>74,648</u>	<u>-</u>	<u>65,314,901</u>
Total capital assets	<u>65,863,268</u>	<u>74,648</u>	<u>-</u>	<u>65,937,916</u>
Less accumulated depreciation for:				
Buildings and improvements	2,291,866	91,627		2,383,493
Machinery and equipment	608,518	9,672		618,190
Sewer distribution systems	19,173,809	714,050		19,887,859
Total accumulated depreciation	<u>22,074,193</u>	<u>815,349</u>	<u>-</u>	<u>22,889,542</u>
Total capital assets being depreciated, net	<u>43,166,060</u>	<u>(740,701)</u>	<u>-</u>	<u>42,425,359</u>
Business-Type Activities Capital Assets, Net	<u>\$ 43,789,075</u>	<u>\$ (740,701)</u>	<u>\$ -</u>	<u>\$ 43,048,374</u>

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

Governmental activities:

General government	\$ 2,346,252
Public safety	353,985
Public works	1,011,204
Culture and recreation	78,577
Education	<u>1,988,094</u>

Total Depreciation Expense - Governmental Activities \$ 5,778,112

Business-type activities:

Sewer Fund	\$ <u>815,349</u>
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**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

6. INTERFUND BALANCES AND TRANSFERS

Interfund payables and receivables: A summary of interfund balances as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Bonded capital projects	\$ 1,698,818
General fund	Nonmajor governmental funds	51,572
General fund	Internal service fund	1,202,511
Sewer assessment fund	Sewer department	619,400
Bonded capital projects	Nonmajor governmental funds	126,580
Capital nonrecurring fund	General fund	376,509
Capital nonrecurring fund	Bonded capital projects	348,160
Nonmajor governmental funds	General fund	62,527
Sewer department	General fund	4,129
Sewer department	Nonmajor governmental funds	142,817
Internal service fund	Nonmajor governmental funds	<u>15,918</u>
 Total		 \$ <u>4,648,941</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.

\$521,994 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: A summary of interfund transfers as of June 30, 2020 is as follows:

	<u>Transfers In</u>					<u>Total Transfer Out</u>
	<u>General Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Fund</u>	<u>Sewer Fund</u>	<u>Internal Service Fund</u>	
Transfers Out:						
General Fund	\$	\$	\$ 185,730	\$	\$ 74,503	\$ 260,233
Sewer Assessments Fund				30,105		30,105
Capital nonrecurring fund	44,195					44,195
Nonmajor Governmental Funds		<u>40,000</u>		<u>59,002</u>		<u>99,002</u>
Transfers In	<u>\$ 44,195</u>	<u>\$ 40,000</u>	<u>\$ 185,730</u>	<u>\$ 89,107</u>	<u>\$ 74,503</u>	<u>\$ 433,535</u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds. Transfers out from the General Fund are various capital improvements for capital nonrecurring items and board of education capital items. The General Fund also transfers amounts to the Sewer Fund for operating costs.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

7. SHORT-TERM OBLIGATIONS

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year ended June 30, 2020 was as follows:

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>
8/16/18	8/15/19	2.75%	\$ 20,000,000	\$	\$ 20,000,000	\$ -
4/30/19	8/15/19	2.00%	3,000,000		3,000,000	-
8/15/19	8/13/20	2.00%		24,825,000		24,825,000
			<u>\$ 23,000,000</u>	<u>\$ 24,825,000</u>	<u>\$ 23,000,000</u>	<u>\$ 24,825,000</u>

On September 9, 2020, bond anticipation notes totaling \$14,780,000 were replaced through the issuance of general obligation bonds. In meeting the criterion established by GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the bond anticipation notes are included within long-term liabilities below as of June 30, 2020. See subsequent event disclosure at Note 14 for further information on the general obligation bonds issued.

The Town is using interim funding during the construction of the Clean Water Project prior to the issuance of the notes at the completion of the project.

Short-term obligation activity for the year ended June 30, 2020 was as follows:

<u>Date Issued</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>
11/1/19	2.00%	\$	\$ 1,292,645	\$	\$ 1,292,645
5/22/20	2.00%		716,369		716,369
		<u>\$ -</u>	<u>\$ 2,009,014</u>	<u>\$ -</u>	<u>\$ 2,009,014</u>

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 41,435,000	\$ 17,450,000	\$ 12,085,000	\$ 46,800,000	\$ 3,585,000
Drinking water notes	5,964,650		364,649	5,600,001	350,756
Premium on bonds	1,267,819	2,259,603	497,121	3,030,301	
Total bonds, notes and premiums	<u>48,667,469</u>	<u>19,709,603</u>	<u>12,946,770</u>	<u>55,430,302</u>	<u>3,935,756</u>
Other long-term liabilities:					
Bond anticipation notes	10,000,000	14,780,000	10,000,000	14,780,000	-
Capital lease	2,383,455	1,126,992	1,017,352	2,493,095	888,627
Landfill post-closure costs	112,270		98,330	13,940	13,940
Retainage	1,344,028		1,122,588	221,440	221,440
Claims and other	550,000	200,000		750,000	
Compensated absences	4,793,446	1,072,514	678,369	5,187,591	1,149,264
Total OPEB liability	8,058,031	1,416,667		9,474,698	
Net pension liability	<u>6,275,760</u>		<u>543,146</u>	<u>5,732,614</u>	
Total other long-term liabilities	<u>33,516,990</u>	<u>18,596,173</u>	<u>13,459,785</u>	<u>38,653,378</u>	<u>2,273,271</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 82,184,459</u>	<u>\$ 38,305,776</u>	<u>\$ 26,406,555</u>	<u>\$ 94,083,680</u>	<u>\$ 6,209,027</u>

All long-term liabilities for the governmental activities are generally liquidated by the General Fund except for a portion that is liquidated by the Water Fund.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

General Obligation Bonds

General obligation bonds as of June 30, 2020 consisted of the following:

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities:								
General purpose:								
Refunding - general purpose	\$ 918,000	2/10/2010	7/15/2026	2.0 - 5.0%	\$ 435,000	\$	\$ 50,000	\$ 385,000
General purpose	6,970,000	7/26/2012	7/15/2032	2.0 - 4.0%	2,335,000		2,335,000	-
General purpose	1,295,000	2/2/2012	7/15/2029	2.0 - 3.0%	1,081,000		1,081,000	-
Refunding - general purpose	6,930,000	7/24/2014	7/15/2030	2.0 - 4.0%	6,015,000		390,000	5,625,000
General purpose	5,120,000	7/23/2015	7/15/2035	2.0 - 4.0%	4,848,000		272,000	4,576,000
General purpose	2,360,000	7/21/2016	7/15/2027	2.0 - 5.0%	1,960,000		225,000	1,735,000
Refunding - general purpose	3,244,000	7/21/2016	7/15/2033	2.5 - 3.0%	3,244,000			3,244,000
General purpose	1,605,000	8/31/2017	8/31/2037	2.0 - 5.0%	1,525,000		80,000	1,445,000
General purpose	950,000	8/16/2018	8/15/2038	3.0 - 5.0%	950,000		50,000	900,000
Refunding - general purpose	2,605,000	8/15/2019	7/15/2029	4.0 - 5.0%	-	2,605,000		2,605,000
Total general purpose					<u>22,393,000</u>	<u>2,605,000</u>	<u>4,483,000</u>	<u>20,515,000</u>
Schools:								
Refunding - schools	7,785,000	2/10/2010	7/15/2024	2.0 - 5.0%	2,895,000		580,000	2,315,000
Schools	1,693,000	2/2/2012	7/15/2028	2.0 - 3.0%	1,656,000		1,656,000	-
Schools	750,000	7/26/2012	7/15/2032	.65% - 3.1%	210,000		210,000	-
Schools	1,774,000	7/23/2015	7/15/2035	2.0 - 4.0%	1,017,000		53,000	964,000
Refunding - schools	3,154,000	7/21/2016	7/15/2033	2.5 - 3.0%	1,440,000		527,000	913,000
Schools	1,595,000	8/31/2017	8/31/2037	2.0 - 5.0%	1,515,000		80,000	1,435,000
Schools	4,350,000	8/16/2018	8/15/2038	3.0 - 5.0%	4,350,000		325,000	4,025,000
Schools	10,000,000	8/15/2019	7/15/2039	2.5 - 5.0%	-	10,000,000		10,000,000
Refunding - schools	1,418,000	8/15/2019	7/15/2029	4.0 - 5.0%	-	1,418,000		1,418,000
Total schools					<u>13,083,000</u>	<u>11,418,000</u>	<u>3,431,000</u>	<u>21,070,000</u>
Sewer:								
Refunding - sewers	2,182,000	2/10/2010	7/15/2026	2.0-5.0%	1,045,000		140,000	905,000
Sewers	580,000	2/2/2012	7/15/2028	2.0-3.0%	568,000		568,000	-
Refunding - sewers	916,000	7/24/2014	7/15/2030	2.0-4.0%	620,000		30,000	590,000
Refunding - sewers	776,000	7/21/2016	7/15/2021	2.5-3.0%	295,000		148,000	147,000
Refunding - sewers	431,000	8/15/2019	7/15/2029	4.0-5.0%	-	431,000		431,000
Total sewer					<u>2,528,000</u>	<u>431,000</u>	<u>886,000</u>	<u>2,073,000</u>
Water:								
Water	1,000,000	7/26/2012	7/15/2032	2.0-4.0%	300,000		300,000	-
Refunding - water	3,762,000	2/12/2012	7/15/2029	2.0-3.0%	2,985,000		2,985,000	-
Refunding - water	146,000	7/21/2016	7/18/2028	2.0-4.0%	146,000			146,000
Water	425,000	8/15/2019	7/15/2039	2.5 - 5.0%	-	425,000		425,000
Refunding - water	2,571,000	8/15/2019	7/15/2029	4.0-5.0%	-	2,571,000		2,571,000
Total water					<u>3,431,000</u>	<u>2,996,000</u>	<u>3,285,000</u>	<u>3,142,000</u>
Total Governmental Activities					<u>\$ 41,435,000</u>	<u>\$ 17,450,000</u>	<u>\$ 12,085,000</u>	<u>\$ 46,800,000</u>

The annual debt service requirements of general obligation bonds are as follows:

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

		Governmental Activities	
		Principal	Interest
2021	\$	3,585,000	\$ 1,948,584
2022		3,445,000	1,484,763
2023		3,505,000	1,334,513
2024		3,365,000	1,192,013
2025		3,155,000	1,060,975
2026-2030		14,675,000	3,582,863
2031-2035		10,050,000	1,496,578
2036-2040		5,020,000	329,159
		<u>\$ 46,800,000</u>	<u>\$ 12,429,448</u>

General Obligation Refunding Bonds

On August 15, 2019, the Town issued \$7,025,000 of general obligation refunding bonds with interest rate of 2.07%. The bonds were issued to refund outstanding principal amounts of the 2009 series general obligation bonds. The net proceeds of \$8,133,067 (after payment of \$42,523 issuance costs) were deposited in an irrevocable trust fund under an escrow agreement dated August 15, 2019 between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of the United States Treasury State and Local Government Securities. All investment income on and the maturing principal of the escrow securities held in the escrow deposit fund will be irrevocably deposited by the Town for payment of the refunded bonds. The Town refunded the above bonds to reduce total debt service payments over the next 10 years by \$490,392 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$472,735. As of June 30, 2020, there is no defeased debt outstanding from this refunding. This amount is removed from the governmental activities column of the statement of net position.

Notes Payable - Direct Borrowings

The Town has six State of Connecticut Drinking Water Fund serial notes outstanding. These loans were issued to finance improvements to the water distribution infrastructure. A schedule of notes payable at June 30, 2020 is presented below:

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities:								
Water:								
DWSRF/ARRA 2010-8003	\$ 401,454	12/29/2011	6/30/2031	2.0%	\$ 256,573	\$	\$ 19,141	\$ 237,432
DWSRF 2012-7010	360,516	6/30/2013	12/31/2032	2.0%	256,332		16,708	239,624
DWSRF 2013-7022	6,526,492	6/30/2015	6/30/2034	2.0%	5,106,102		293,534	4,812,568
DWSRF 2017-7057	345,643	9/28/2018	3/30/2038	2.0%	345,643		35,266	310,377
Total Water					<u>\$ 5,964,650</u>	<u>\$ -</u>	<u>\$ 364,649</u>	<u>\$ 5,600,001</u>

The annual debt service requirements of notes payable are as follows:

**TOWN OF EAST LYME, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

	Governmental Activities	
	Principal	Interest
2021	\$ 350,756	\$ 108,498
2022	357,849	101,406
2023	365,083	94,171
2024	372,465	86,790
2025	379,997	79,258
2026-2030	2,018,380	277,895
2031-2035	1,699,893	73,027
2036-2040	<u>55,578</u>	<u>17,050</u>
	<u>\$ 5,600,001</u>	<u>\$ 838,095</u>

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Statutory Debt Limitations

The Town's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 133,995,206	\$ 30,927,617	\$ 103,067,589
Schools	267,990,413	42,210,441	225,779,972
Sewers	223,325,344	2,073,000	221,252,344
Urban renewal	193,548,631	-	193,548,631
Pension deficit	178,660,275	-	178,660,275

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$416,873,975.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

Water system related debt has been excluded from the calculation.

Authorized/unissued bonds

At June 30, 2020, the Town had authorized unissued bonds as follows:

General purpose	\$ 1,139,522
Schools	3,095,441
Water	589,056

Capital Lease Commitments

At June 30, 2020, 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 \$10,259,992, with \$5,677,63 in accumulated depreciation.

**TOWN OF EAST LYME, CONNECTICUT
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JUNE 30, 2020**

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

	Governmental Activities
2021	\$ 934,444
2022	748,715
2023	630,180
2024	251,635
2025	<u>19,764</u>
Total minimum lease payments	2,584,738
Less amount for interest	<u>(91,643)</u>
 Present Value of Minimum Lease Payments	 \$ <u><u>2,493,095</u></u>

Landfill Closure and Post-Closure Care Costs

The town closed its landfill in 1991. State and federal laws and regulations required 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 \$13,940 as of June 30, 2020. The liability is accrued in the governmental activities. Actual cost may be higher due to inflation, changes in technology or changes in regulations. These costs will be paid from the General Fund.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. FUND BALANCE

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Sewer Assessments Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Permanent fund principal	\$	\$	\$	\$	\$ 534	\$ 534
Inventory					44,310	44,310
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,844</u>	<u>44,844</u>
Restricted for:						
Recreation					19,063	19,063
Education					264,770	264,770
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,833</u>	<u>283,833</u>
Committed for:						
Public works		3,575,331			1,065,893	4,641,224
Capital projects				3,265,274		3,265,274
Total restricted	<u>-</u>	<u>3,575,331</u>	<u>-</u>	<u>3,265,274</u>	<u>1,065,893</u>	<u>7,906,498</u>
Assigned to:						
Future appropriations	900,000					900,000
General government	60,427					60,427
Public safety	14,749					14,749
Public works	71,251					71,251
Health and welfare	682					682
Education	770,410					770,410
Capital	111,080					111,080
Total assigned	<u>1,928,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,928,599</u>
Unassigned	<u>8,196,555</u>		<u>(7,885,521)</u>	<u>-</u>	<u>-</u>	<u>311,034</u>
Total Fund Balances	<u>\$ 10,125,154</u>	<u>\$ 3,575,331</u>	<u>\$ (7,885,521)</u>	<u>\$ 3,265,274</u>	<u>\$ 1,394,570</u>	<u>\$ 10,474,808</u>

10. 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
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Previously, the Town had established the Health Insurance Fund, an Internal Service Fund, to account for its health and dental coverage programs. Due to the Town and Board of Education experiencing significant increases in claims payments over prior fiscal years, the Town converted to a fully insured plan for health insurance. As of July 1, 2019, the Town participates in the State of Connecticut Partnership 2.0 Plan.

At June 30, 2020, The Town has estimated a liability for claims incurred but not reported (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2019. Changes in the balance of claims liabilities during the past two years are as follows:

	<u>Liability July 1,</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30,</u>
2018-2019	\$ 811,495	\$ 9,146,793	\$ 9,061,867	\$ 896,421
2019-2020	896,421	-	739,322	157,099

Contingent Liabilities

Amounts received or receivable from federal and state grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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 \$750,000, and therefore have been accrued for as claims long-term liability in the governmental activities.

11. EMPLOYEE RETIREMENT PLANS

A. Pension Plan

Plan Description

Summary

The Town is the administrator of a single employer defined benefit Public Employee Retirement System (PERS) established by Town Ordinance and administered by the Town to provide pension benefits for its employees. Plan provisions are determined by the various union contracts. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The PERS does not issue a stand-alone report.

**TOWN OF EAST LYME, CONNECTICUT
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Classes of employees covered: At January 1, 2020, the date of the last actuarial valuation, membership in the plan consisted of the following:

Retired members or beneficiaries currently receiving benefits	80
Vested terminated members entitled to but not yet receiving benefits	15
Active	
Vested	103
Nonvested	65
	65
Total Participants	263

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 7/1/2005, Police Officers contribute 8% of pay. Effective 7/1/2006 Firefighters contribute increased to 6.0% of pay effective July 1, 2019 and they will increase to 6.25% and 6.50% respectively effective July 1, 2020 and July 1, 2021.

Normal retirement date For Firefighters, the later of age 50 or the completion of 25 years

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

Normal retirement benefit:

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

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

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

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

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

Accrued benefit Normal Retirement Benefit based on earnings and service to date.

Normal form of benefit Life Annuity.

**TOWN OF EAST LYME, CONNECTICUT
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Delayed retirement Upon the death of a participant after his NRD but before his actual retirement date, it will be presumed he had retired at his NRD and elected a benefit payable for 120 months certain and life thereafter.

Normal form of benefits Single life annuity.

Accrued benefit Normal Retirement Benefit assuming service to NRD multiplied by the number of years of continuous service at termination divided by service projected to NRD.

Continuous service A Participant's employment with the Employer from the date he most recently entered such service until the date such service ends due to a Participant's retirement, death or of service.

Eligible employee An employee who is classified as a regular full-time employee with one year of Continuous Service. This excludes temporary employees, part-time employees, and any seasonal employee whose customary employment is for less than five months a year.

Benefit accrual service All Continuous Service while an employee computed as whole years and 1/12th fraction for each completed month of Continuous Service.

Early retirement benefit: Minimum Age: 55

Minimum service 15 Years

Benefit amount Accrued Benefit, reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which early retirement precedes normal retirement.

Participants age 62 with 15 years of service or age 55 with 25 years of service are eligible for an unreduced benefit.

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 6%, 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.

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, 2019, as a level percentage of pay.

**TOWN OF EAST LYME, CONNECTICUT
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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 include at least one union member. The remaining members of the committee are town residents with pension plan administration experience. 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.

Assumed Rate of Return

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 arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

**TOWN OF EAST LYME, CONNECTICUT
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	Target Allocation	Long-Term Expected Real Rate of Return	Weighting
Domestic equity	35.00 %	6.06 %	2.12 %
International equity	20.00	6.77	1.35
Fixed income	35.00	1.54	0.54
Cash	<u>10.00</u>	0.11	<u>0.01</u>
Total	<u>100.00 %</u>		4.02 %
Long-term inflation assumption			<u>2.16 %</u>
Long-term expected nominal rate of return			<u>6.18 %</u>

Net Pension Liability

The components of the net pension liability of the Town at June 30, 2020 were as follows:

Total pension liability	\$ 31,603,584
Plan fiduciary net position	<u>25,870,970</u>
Net Pension Liability	<u>\$ 5,732,614</u>
Plan fiduciary net position as a percentage of the total pension liability	81.86%

**TOWN OF EAST LYME, CONNECTICUT
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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2019	\$ 30,889,767	\$ 24,614,007	\$ 6,275,760
Changes for the year:			
Service cost	662,172		662,172
Interest on total pension liability	2,179,507		2,179,507
Differences between expected and actual experience	(418,655)		(418,655)
Changes of assumptions	(862,638)		(862,638)
Contributions - employer		1,428,532	(1,428,532)
Contributions - employee		157,729	(157,729)
Net investment income		536,771	(536,771)
Benefit payments, including refunds of employee contributions	(846,569)	(846,569)	-
Administrative expenses		(19,500)	19,500
Net changes	<u>713,817</u>	<u>1,256,963</u>	<u>(543,146)</u>
Balances as of June 30, 2020	<u>\$ 31,603,584</u>	<u>\$ 25,870,970</u>	<u>\$ 5,732,614</u>

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 2.17%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

	Entry Age Actuarial Cost Method
Mortality basis	SOA PUBS.H-2010 for fire, police - SOA PUBG.H - 2010 for all others. Scale MP-2020 for all.
Inflation	2.16%
Salary increases including inflation	4.50%
Investment rate of return	7.00%

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all 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 pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Pension Plan, calculated using the current discount rate of as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 9,522,846	\$ 5,732,614	\$ 2,537,263

**TOWN OF EAST LYME, CONNECTICUT
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For the fiscal year ended June 30, 2020, the recognized pension expense is \$1,060,479. As of June 30, 2020, deferred outflows of resources and deferred inflows of resources related to pensions are reported as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86,312	\$ 859,322
Changes of assumptions	684,142	719,343
Net difference between projected and actual earning on pension plan investments	<u>835,066</u>	<u> </u>
Total	<u>\$ 1,605,520</u>	<u>\$ 1,578,665</u>

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

Year Ending June 30

2021	\$ (147,893)
2022	77,566
2023	144,444
2024	124,252
2025	(167,255)
Thereafter	(4,259)

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, 2020, there were 27 plan members. The Town contributed \$203,011 in 2020 and \$142,833 in 2019

**TOWN OF EAST LYME, CONNECTICUT
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The following schedule represents the net position held in trust for pension benefits at June 30, 2020 and the changes in net position for the year ended June 30, 2020.

	Pension Trust Funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
Assets:			
Investments, at fair value:			
Mutual funds	\$ 25,870,970	\$ 2,376,514	\$ 28,247,484
Total assets	<u>25,870,970</u>	<u>2,376,514</u>	<u>28,247,484</u>
Net Position:			
Restricted for Pension Benefits	\$ <u>25,870,970</u>	\$ <u>2,376,514</u>	\$ <u>28,247,484</u>
Pension Trust Funds			
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
Additions:			
Contributions:			
Employer	\$ 1,428,532	\$ 203,011	\$ 1,631,543
Plan members	<u>157,729</u>	<u>104,594</u>	<u>262,323</u>
Total contributions	<u>1,586,261</u>	<u>307,605</u>	<u>1,893,866</u>
Investment earnings:			
Net change in fair value of investments	<u>536,771</u>	<u>99,774</u>	<u>636,545</u>
Total investment earnings	<u>536,771</u>	<u>99,774</u>	<u>636,545</u>
Total additions	<u>2,123,032</u>	<u>407,379</u>	<u>2,530,411</u>
Deductions:			
Benefits	846,569	13,344	859,913
Administration	<u>19,500</u>	<u>19,500</u>	<u>19,500</u>
Total deductions	<u>866,069</u>	<u>13,344</u>	<u>879,413</u>
Change in Net Position	1,256,963	394,035	1,650,998
Net Position at Beginning of Year	<u>24,614,007</u>	<u>1,982,479</u>	<u>26,596,486</u>
Net Position at End of Year	<u>\$ 25,870,970</u>	<u>\$ 2,376,514</u>	<u>\$ 28,247,484</u>

B. Connecticut State Teachers' Retirement System - Pension

Plan Description

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.

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% of the average annual salary times the years of credited service (maximum benefit is 75% 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.

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% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% 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% 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% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

**TOWN OF EAST LYME, CONNECTICUT
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, 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% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>88,864,208</u>
Total	<u>\$ 88,864,208</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2018. At June 30, 2020, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2020 the Town recognized pension expense and revenue of \$10,914,039 in Exhibit II.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

**TOWN OF EAST LYME, CONNECTICUT
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For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan 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 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. The current capital market assumptions and the target asset allocation as provided by the State of Connecticut Treasurer's Office are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return</u>		<u>Target Allocation</u>		<u>Standard Deviation</u>	
Public Equity - US Equity	8.10	%	20.00	%	17.00	%
Public Equity - International Developed Equity	8.50		11.00		19.00	
Public Equity - Emerging Markets Equity	10.40		9.00		24.00	
Fixed Income - Core Fixed Income	4.60		16.00		7.00	
Fixed Income - Inflation Linked Bonds	3.60		5.00		7.00	
Fixed Income - High Yield	6.50		6.00		11.00	
Fixed Income - Emerging Market Debt	5.20		5.00		11.00	
Private Equity	9.80		10.00		23.00	
Real Estate	7.00		10.00		15.00	
Alternative Investments - Real Assets	8.20		4.00		17.00	
Alternative Investments - Hedge Funds	5.40		3.00		7.00	
Liquidity Fund	2.90		1.00		1.00	
Total			<u>100.00</u>	%		

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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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.

12. OTHER POST-EMPLOYMENT BENEFITS PLANS

A. Town OPEB Plan

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.

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, 2018. The post-retirement plan does not issue stand-alone financial reports.

The Town currently pays for postemployment health care benefits on a pay-as-you-go basis. As of June 30, 2020, no assets are accumulated in a trust which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations.

Membership in the plan consisted of the following at July 1, 2018, the date of the last actuarial valuation:

Retired members or beneficiaries currently receiving benefits	42
Active members	<u>581</u>
Total	<u><u>623</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$9,474,698 is measured as of June 30, 2020, as determined by an actuarial valuation as of July 1, 2018, which was projected forward to June 30, 2020. The Town has not accumulated any assets in a fiduciary trust for payment of benefits.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Salary increases	2.60%
Discount rate	2.21%
Healthcare cost trend rates	Starts at 7.0 % in 2018, reduced 0.5% per year to an ultimate rate of 4.6% in 2023 and beyond.
Mortality rates	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2019.

The discount rate used to measure the total OPEB liability was 2.21% from the Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed the town will cover payments for current active and inactive employees on a pay-as-you-go basis.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2019	\$ 8,058,031
Changes for the year:	
Service cost	171,714
Interest on total OPEB liability	286,353
Difference between expected and actual experience	(179,057)
Changes in assumptions or other inputs	1,281,953
Benefit payments	<u>(144,296)</u>
Net changes	<u>1,416,667</u>
Balances as of June 30, 2020	<u>\$ 9,474,698</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% as of June 30, 2019 to 2.21% as of June 30, 2020.

**TOWN OF EAST LYME, CONNECTICUT
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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town using the current discount rate, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate 1.21%	Current Discount Rate 2.21%	1% Increase in Discount Rate 3.21%
Total OPEB Liability	\$ 10,680,117	\$ 9,474,698	\$ 8,464,192

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town using the current healthcare cost trend rate, as well as what the Town's total OPEB liability would be if it were calculated using the current healthcare cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.60%) or 1 percentage point higher (8.00% decreasing to 5.60%) than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Total OPEB Liability	\$ 8,223,483	\$ 9,474,698	\$ 10,991,398

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$430,160. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,442,768	\$ 174,541
Changes of assumptions or other inputs	<u>1,181,800</u>	<u>1,984,822</u>
Total	<u>\$ 2,624,568</u>	<u>\$ 2,159,363</u>

**TOWN OF EAST LYME, CONNECTICUT
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30

2021	\$	26,577
2022		26,577
2023		26,577
2024		26,577
2025		26,577
Thereafter		332,320

B. Connecticut State Teacher’s Retirement Plan

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers’ Retirement Board (TRB), if they choose to be covered.

Chapter 167a Section 10-183 (t) of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit Provisions

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplement Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree’s share of the cost of coverage, and any remaining portion is used to offset the district’s cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option must wait two years to re-enroll.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplement Plans, as long as they do not remarry.

Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of Credited Service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

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.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of Credited Service.

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183t, 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. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

**TOWN OF EAST LYME, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

Employees/Retirees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one-third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one-third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>13,858,875</u>
Total	<u>\$ 13,858,875</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2018. At June 30, 2020, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2020, the Town recognized OPEB expense and revenue of \$(1,014,145) in Exhibit II.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Health care costs trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	<u>2019</u>

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.41%).

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

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. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

13. CORONAVIRUS (COVID-19)

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19.

The Town derives a significant portion of its revenues from property taxes. While the Town has not experienced any significant increase in the amount of delinquency from its taxpayers, the situation creates uncertainty about the impact of future revenues that might be generated. In addition, at this time, it is uncertain what the effects of the pandemic will be on the Town's health care costs, changes in interest rates, investment valuation and the future federal or state fiscal relief.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

14. SUBSEQUENT EVENT

On August 13, 2020, the Town issued \$14,780,000 of general obligation bonds for various capital projects and \$2,585,000 of general obligation refunding bonds. The bonds carry interest at 3.0%-5.0% and mature serially through July 15, 2040. On that same date, the Town also issued \$11,420,000 of general obligation bond anticipation notes with interest at 2.00% and maturing on August 12, 2021.

Required Supplementary Information

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Property taxes	\$ 61,772,545	\$ 61,772,545	\$ 61,995,733	\$ 223,188
Intergovernmental revenues	7,309,120	7,309,120	8,042,692	733,572
Charges for services	4,808,954	4,808,954	5,222,408	413,454
Investment income	70,000	70,000	147,132	77,132
Total revenues	<u>73,960,619</u>	<u>73,960,619</u>	<u>75,407,965</u>	<u>1,447,346</u>
Expenditures:				
Current:				
General government	7,927,551	7,865,096	7,608,283	256,813
Public safety	4,578,375	4,698,863	4,574,629	124,234
Public works	3,724,789	3,724,789	3,640,964	83,825
Health and welfare	287,727	287,727	231,193	56,534
Culture and recreation	1,983,267	1,983,267	1,897,612	85,655
Education	49,247,250	49,247,250	48,671,908	575,342
Debt service:				
Principal retirement	4,011,244	4,011,244	4,011,242	2
Interest and other charges	1,587,901	1,587,901	1,195,838	392,063
Capital outlay	638,850	663,411	636,332	27,079
Total expenditures	<u>73,986,954</u>	<u>74,069,548</u>	<u>72,468,001</u>	<u>1,601,547</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(26,335)</u>	<u>(108,929)</u>	<u>2,939,964</u>	<u>3,048,893</u>
Other Financing Sources (Uses):				
Appropriation of fund balance	175,000	332,097		(332,097)
Transfers in	52,089	52,089	51,592	(497)
Transfers out	<u>(200,754)</u>	<u>(275,257)</u>	<u>(275,257)</u>	<u>-</u>
Total other financing sources (uses)	<u>26,335</u>	<u>108,929</u>	<u>(223,665)</u>	<u>(332,594)</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,716,299</u>	<u>\$ 2,716,299</u>
Budget to GAAP Reconciliation:				
	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>		
Balance, budgetary basis	\$ 75,459,557	\$ 72,743,258		
Impact of GASB 54 compliance	1,115,753	1,259,377		
Change in encumbrances		(152,539)		
State Teachers' Retirement:				
OPEB Expense (Revenue)	183,842	183,842		
Pension Expense	<u>6,726,547</u>	<u>6,726,547</u>		
Balance, GAAP Basis	<u>\$ 83,485,699</u>	<u>\$ 80,760,485</u>		

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - PENSION PLAN
LAST SEVEN FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:							
Service cost	\$ 662,172	\$ 680,281	\$ 707,948	\$ 665,420	\$ 619,574	\$ 620,611	\$ 607,102
Interest on total pension liability	2,179,507	2,003,839	1,883,816	1,735,683	1,651,380	1,541,759	1,516,865
Changes of benefit terms							
Differences between expected and actual experience	(418,655)	(315,256)	(95,617)	272,190	(651,845)	(256,503)	
Changes of assumptions	(862,638)	992,314					
Benefit payments, including refunds of member contributions	(846,569)	(820,928)	(689,013)	(513,255)	(409,749)	(270,218)	(254,567)
Net change in total pension liability	713,817	2,540,250	1,807,134	2,160,038	1,209,360	1,635,649	1,869,400
Total pension liability - beginning	30,889,767	28,349,517	26,542,383	24,382,345	23,172,985	21,537,336	19,667,936
Total pension liability - ending	<u>31,603,584</u>	<u>30,889,767</u>	<u>28,349,517</u>	<u>26,542,383</u>	<u>24,382,345</u>	<u>23,172,985</u>	<u>21,537,336</u>
Plan fiduciary net position:							
Contributions - employer	1,428,532	1,094,494	1,125,805	1,023,637	926,720	1,076,823	1,031,092
Contributions - members	157,729	141,872	147,853	140,290	132,826	172,854	133,430
Net investment income	536,771	1,544,560	1,403,758	2,301,834	(36,983)	220,349	2,037,638
Benefit payments, including refunds of member contributions	(846,569)	(820,928)	(689,013)	(513,255)	(409,749)	(270,218)	(254,567)
Administrative expense	(19,500)	(28,300)	(38,800)	(26,550)	(13,850)	(39,500)	(2,900)
Other					(517,746)		
Net change in plan fiduciary net position	1,256,963	1,931,698	1,949,603	2,925,956	81,218	1,160,308	2,944,693
Plan fiduciary net position - beginning	24,614,007	22,682,309	20,732,706	17,806,750	17,725,532	16,565,224	13,620,531
Plan fiduciary net position - ending	<u>25,870,970</u>	<u>24,614,007</u>	<u>22,682,309</u>	<u>20,732,706</u>	<u>17,806,750</u>	<u>17,725,532</u>	<u>16,565,224</u>
Net Pension Liability - Ending	\$ <u>5,732,614</u>	\$ <u>6,275,760</u>	\$ <u>5,667,208</u>	\$ <u>5,809,677</u>	\$ <u>6,575,595</u>	\$ <u>5,447,453</u>	\$ <u>4,972,112</u>
Plan fiduciary net position as a percentage of the total pension liability	81.86%	79.68%	80.01%	78.11%	73.03%	76.49%	76.91%
Covered payroll	\$ 8,545,049	\$ 8,151,781	\$ 9,159,153	\$ 9,173,650	\$ 8,524,401	\$ 8,573,798	\$ 8,559,474
Net pension liability as a percentage of covered payroll	67.09%	76.99%	61.87%	63.33%	77.14%	63.54%	58.09%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN
LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution*	\$ 1,401,531	\$ 1,276,988	\$ 1,110,149	\$ 1,074,721	\$ 938,749	\$ 1,076,823	\$ 1,050,824	\$ 953,049	\$ 835,942	\$ 850,037
Contributions in relation to the actuarially determined contribution	1,428,532	1,094,494	1,125,805	1,023,637	926,720	1,076,823	1,031,092	953,049	835,942	850,037
Contribution Deficiency (Excess)	<u>\$ (27,001)</u>	<u>\$ 182,494</u>	<u>\$ (15,656)</u>	<u>\$ 51,084</u>	<u>\$ 12,029</u>	<u>\$ -</u>	<u>\$ 19,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,545,049	\$ 8,151,781	\$ 9,159,153	\$ 9,173,650	\$ 8,524,401	\$ 8,573,798	\$ 8,559,474	\$ 8,484,665	\$ 7,920,142	\$ 7,318,648
Contributions as a percentage of covered payroll	16.7%	13.43%	12.29%	11.16%	10.87%	12.56%	12.05%	11.23%	10.55%	11.61%

Notes to Schedule

Valuation date: January 1, 2020
Measurement date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, Level Percentage of Pay
Amortization method	Level dollar amortization, closed
Remaining amortization period	Initial liability and subsequent plan amendments over a twenty-year period, gains and losses over a five-year period and assumption/method changes over a ten-year period.
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value.
Salary increases	4.50%
Investment rate of return	7.00%
Retirement age	Police and Firefighter: Age 50 and 25 years of service, all others age 65 and 10 years of service
Mortality (healthy participants)	SOA PUBS.H-2010 for fire, police - SOA PUBG.H - 2010 for all others. Scale MP-2019 for all.
Mortality (disabled participants)	SOA PUBS.H-2010 for fire, police - SOA PUBG.H - 2010 for all others. Scale MP-2019 for all.

* Contribution amounts for fiscal year ending June 30, 2014 and prior are Annual Required Contribution (ARC) under GASB 27.

**TOWN OF EAST LYME, CONNECTICUT
 SCHEDULE OF INVESTMENT RETURNS
 PENSION PLAN
 LAST SEVEN FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense:	2.17%	6.75%	6.74%	12.70%	-0.21%	1.30%	14.90%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST SIX FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>88,864,208</u>	<u>68,519,467</u>	<u>69,820,814</u>	<u>73,661,444</u>	<u>57,467,120</u>	<u>53,116,835</u>
Total	<u>\$ 88,864,208</u>	<u>\$ 68,519,467</u>	<u>\$ 69,820,814</u>	<u>\$ 73,661,444</u>	<u>\$ 57,467,120</u>	<u>\$ 53,116,835</u>
Town's covered payroll	\$ 20,448,889	\$ 22,494,064	\$ 22,130,699	\$ 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%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Notes to Schedule

Changes in benefit terms	<p>HB 7424 made the following provision changes:</p> <ul style="list-style-type: none"> - Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%. - For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of benefit commencement, the difference is paid to the Member's beneficiary.
Changes of assumptions	<p>HB 7424 made the following assumption changes:</p> <ul style="list-style-type: none"> - Reduce the inflation assumption from 2.75% to 2.50%. - Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%. - Increase the annual rate of wage increase assumption from 0.50% to 0.75%. - Phase in to a level dollar amortization method for the June 30, 2024 valuation.
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	17.6 years
Asset valuation method	4-year smoothed market
Inflation	2.75%
Salary increase	3.25%-6.50%, including inflation
Investment rate of return	8.00%, net of investment-related expense

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT PLAN
LAST THREE FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>13,858,875</u>	<u>13,697,495</u>	<u>17,971,073</u>
Total	<u>\$ 13,858,875</u>	<u>\$ 13,697,495</u>	<u>\$ 17,971,073</u>
Town's covered payroll	\$ 20,448,889	\$ 22,494,064	\$ 22,130,699
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%

Notes to Schedule

Changes in benefit terms	The Plan was amended by the Board, effective January 1, 2019, during the September 12, 2018 meeting. The Board elected a new prescription drug plan, which is expected to reduce overall costs and allow for the Board to receive a government subsidy for members whose claims reach a catastrophic level. These changes were communicated to retired members during the months leading up to the open enrollment period that preceded the January 1, 2019 implementation date.
Changes of assumptions	Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2019 was updated to equal the Municipal Bond Index Rate of 3.50% as of June 30, 2019. Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2019. The expected rate of inflation was decreased, and the real wage growth assumption was increased.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll over an open period
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment-related expense including price inflation
Price inflation	2.75%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Current taxes	\$ 60,981,145	\$ 60,981,145	\$ 61,070,117	\$ 88,972
Prior Taxes	485,000	485,000	526,171	41,171
Interest, lien fees and other	306,400	306,400	399,445	93,045
	<u>61,772,545</u>	<u>61,772,545</u>	<u>61,995,733</u>	<u>223,188</u>
Intergovernmental:				
Education Cost Sharing	5,768,714	5,768,714	6,327,842	559,128
State grant - DUI	55,700	55,700	29,460	(26,240)
Town aid road	341,444	341,444	340,144	(1,300)
PILOT - state owned property	192,581	192,581	192,581	-
Pequot fund	270,204	270,204	270,204	-
Tax relief for disabled	1,345	1,345	1,500	155
Civil preparedness grant	34,671	34,671	9,570	(25,101)
Tax relief - telephone taxes	49,000	49,000	42,122	(6,878)
LOCIP			209,660	209,660
Youth service bureau	24,802	24,802	30,299	5,497
PILOT - hospitals and colleges	28,062	28,062	28,062	-
Municipal stabilization grant	524,097	524,097	524,097	-
Tax relief for veterans	18,500	18,500	16,125	(2,375)
Nuclear safety emergency prep			20,246	20,246
Other grants			780	780
Total Intergovernmental	<u>7,309,120</u>	<u>7,309,120</u>	<u>8,042,692</u>	<u>733,572</u>
Charges for services:				
Licenses and permits:				
Building permits	285,000	285,000	660,694	375,694
Pistol, fire and lodging	9,600	9,600	11,345	1,745
Beach and recreation town funds	-	-	0	-
ZBA and planning commission	5,000	5,000	6,421	1,421
Conveyance tax	250,000	250,000	387,921	137,921
Dog licenses	11,000	11,000	8,117	(2,883)
Town clerk fees	138,000	138,000	159,437	21,437
Zoning fees	25,000	25,000	85,471	60,471
Solid waste license	800	800	300	(500)
Shellfish permits	500	500	1,001	501
Mooring permit fees	7,250	7,250	6,852	(398)
TC fish and game fees	250	250	160	(90)
Wetland fees	5,400	5,400	2,524	(2,876)
Park vendors	1,000	1,000	2,150	1,150
P & R athletic lights	4,000	4,000		(4,000)
Total licenses and permits	<u>742,800</u>	<u>742,800</u>	<u>1,332,393</u>	<u>589,593</u>

(Continued on next page)

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fine and forfeits:				
Parking fees	\$ 4,000	\$ 4,000	\$ 8,677	\$ 4,677
Extra duty - police and fire	30,000	30,000	113,834	83,834
Total licenses and permits	<u>34,000</u>	<u>34,000</u>	<u>122,511</u>	<u>88,511</u>
Charges for services:				
MSW container	5,000	5,000	7,845	2,845
Ambulance fund contribution	10,000	10,000	0	(10,000)
Tuition - other district	3,050,000	3,050,000	2,691,221	(358,779)
Debt payment - Salem	86,706	86,706	86,705	(1)
Transportation subsidy	43,000	43,000	40,269	(2,731)
Tipping fees - commercial	277,000	277,000	213,469	(63,531)
Recycling - other	44,350	44,350	38,529	(5,821)
Miscellaneous other	1,000	1,000	27,500	26,500
BOE miscellaneous			78,050	78,050
Rent - Cini park	16,000	16,000	16,066	66
Selectman's office	100	100	25	(75)
Assessor	2,000	2,000	572	(1,428)
Landfill deposits	150,000	150,000	166,294	16,294
Police	1,000	1,000	1,812	812
Commission on aging - program	24,000	24,000	14,845	(9,155)
Financial department	75,000	75,000	86,964	11,964
Smith harris	50	50		(50)
Miscellaneous fire marshall			3,256	3,256
Insurance rebate	40,000	40,000	62,827	22,827
Dog revenue	55,000	55,000	57,111	2,111
Tax collector	625	625	(148)	(773)
EL Ambulance subsidy FF	144,548	144,548	174,292	29,744
Water and sewer services	6,775	6,775		(6,775)
Total charges for services	<u>4,032,154</u>	<u>4,032,154</u>	<u>3,767,504</u>	<u>(264,650)</u>
Total charges for services	<u>4,808,954</u>	<u>4,808,954</u>	<u>5,222,408</u>	<u>413,454</u>
Investment income:				
Interest on deposits	<u>70,000</u>	<u>70,000</u>	<u>147,132</u>	<u>77,132</u>
Total revenues	<u>73,960,619</u>	<u>73,960,619</u>	<u>75,407,965</u>	<u>1,447,346</u>
Other financing sources:				
Appropriation of fund balance	175,000	332,097		(332,097)
Transfers in:				
Capital Projects	44,195	44,195	44,195	-
Regional probate	7,894	7,894	7,397	(497)
Total other financing sources	<u>227,089</u>	<u>384,186</u>	<u>51,592</u>	<u>(332,594)</u>
Total revenues and other financing sources	<u>\$ 74,187,708</u>	<u>\$ 74,344,805</u>	<u>\$ 75,459,557</u>	<u>\$ 1,114,752</u>

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Expenditures:				
General government:				
First selectman	\$ 204,198	\$ 204,198	\$ 201,526	\$ 2,672
Assessor's office	215,915	215,915	212,717	3,198
Tax collector	181,670	182,670	182,583	87
Building official	211,005	211,005	204,221	6,784
Town engineer	229,865	229,865	229,845	20
Town clerk	157,318	157,318	145,834	11,484
Health department	138,475	138,475	138,475	-
Information technology	132,240	132,240	131,378	862
Registrars	109,179	109,179	85,383	23,796
Maintenance of town buildings	703,881	703,881	696,478	7,403
General government and benefits	4,781,520	4,831,400	4,756,128	75,272
Community services	25,101	25,101	25,101	-
Zoning commission	104,603	104,603	101,961	2,642
Planning department	83,471	83,471	79,803	3,668
Finance department	296,950	302,372	300,689	1,683
Contingency funds	253,000	133,243	30,158	103,085
Board of finance	38,600	39,600	37,823	1,777
Board of assessment appeals	1,250	1,250	639	611
Zoning board of appeals	780	780	722	58
Inland wetlands agency	23,255	23,255	20,281	2,974
Waterford / East Lyme Shellfish Commission	3,500	3,500	3,500	-
Brookside Farm Museum Commission	15,210	15,210	11,924	3,286
Town building committee	1,800	1,800	758	1,042
Harbor management commission	10,000	10,000	6,571	3,429
Conservation of natural resources commission	1,150	1,150	613	537
Historic properties commission	3,615	3,615	3,172	443
Total general government	<u>7,927,551</u>	<u>7,865,096</u>	<u>7,608,283</u>	<u>256,813</u>
Public safety:				
Dispatch	483,727	520,769	520,708	61
Police department	2,584,399	2,641,152	2,558,634	82,518
Niantic fire department	637,607	651,897	642,815	9,082
Flanders fire department	496,428	508,831	495,243	13,588
Emergency management	281,071	281,071	278,770	2,301
Animal control	95,143	95,143	78,459	16,684
Total public safety	<u>4,578,375</u>	<u>4,698,863</u>	<u>4,574,629</u>	<u>124,234</u>
Public works:				
Highway and sanitation	<u>3,724,789</u>	<u>3,724,789</u>	<u>3,640,964</u>	<u>83,825</u>
Health and welfare:				
Commission on aging	278,367	278,367	223,179	55,188
Community services	9,360	9,360	8,014	1,346
Total commissions	<u>287,727</u>	<u>287,727</u>	<u>231,193</u>	<u>56,534</u>
Culture and recreation:				
East Lyme public library	1,231,664	1,231,664	1,164,427	67,237
Parks and recreation	751,603	751,603	733,185	18,418
Total culture and recreation	<u>1,983,267</u>	<u>1,983,267</u>	<u>1,897,612</u>	<u>85,655</u>
Board of Education	<u>49,247,250</u>	<u>49,247,250</u>	<u>48,671,908</u>	<u>575,342</u>

(Continued on next page)

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Debt service:				
Redemption of debt - principal	4,011,244	4,011,244	4,011,242	2
Interest payments	1,587,901	1,587,901	1,195,838	392,063
Total debt service	5,599,145	5,599,145	5,207,080	392,065
Capital outlay:				
Town - Capital improvement plan	638,850	638,850	616,086	22,764
Other	-	24,561	20,246	4,315
Total capital outlay	638,850	663,411	636,332	27,079
Total expenditures	73,986,954	74,069,548	72,468,001	1,601,547
Other Financing Uses:				
Transfers out:				
Regional Probate District 32	-	15,024	15,024	-
CNRE	185,730	185,730	185,730	-
Health Insurance Fund	-	74,503	74,503	-
Total other financing sources (uses)	200,754	275,257	275,257	-
Total Expenditures and Other Uses	\$ 74,187,708	\$ 74,344,805	\$ 72,743,258	\$ 1,601,547

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.

Water Department Fund – accounts for revenues for water usage.

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
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds				Permanent Fund	Total
	School Lunch Fund	Special Education Grants Fund	Historic Preservation Fund	Water Fund	McCook Point Memorial Fund	
ASSETS						
Cash and cash equivalents	\$ 123,362	\$ 84,661	\$	\$ 1,609,874	\$ 534	\$ 1,818,431
Receivables, net						
Assessments / User Charges				901,636		901,636
Intergovernmental	163,840	28,886				192,726
Other receivables	9,300		430			9,730
Due from other funds			19,665	42,862		62,527
Inventory	5,310			39,000		44,310
Total Assets	\$ 301,812	\$ 113,547	\$ 20,095	\$ 2,593,372	\$ 534	\$ 3,029,360
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 31,732	\$ 30,619	\$ 602	\$ 362,776	\$	\$ 425,729
Due to other funds		51,572		285,315		336,887
Unearned revenue		31,356	430			31,786
Total liabilities	<u>31,732</u>	<u>113,547</u>	<u>1,032</u>	<u>648,091</u>	<u>-</u>	<u>794,402</u>
Deferred Inflows of Resources:						
Unavailable revenue - assessments				840,388		840,388
Fund Balances:						
Nonspendable	5,310			39,000	534	44,844
Restricted	264,770		19,063			283,833
Committed				1,065,893		1,065,893
Total fund balances	<u>270,080</u>	<u>-</u>	<u>19,063</u>	<u>1,104,893</u>	<u>534</u>	<u>1,394,570</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 301,812	\$ 113,547	\$ 20,095	\$ 2,593,372	\$ 534	\$ 3,029,360

**TOWN OF EAST LYME, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds				Permanent Fund	Total
	School Lunch Fund	Special Education Grants Fund	Historic Preservation Fund	Water Fund	McCook Point Memorial Fund	
Revenues:						
Intergovernmental revenues	\$ 509,695	\$ 899,109	\$ 5,500	\$	\$	\$ 1,414,304
Charges for services	429,872		12,054	3,310,724		3,752,650
Investment income				850		850
Other				5,751		5,751
Total revenues	<u>939,567</u>	<u>899,109</u>	<u>17,554</u>	<u>3,317,325</u>	<u>-</u>	<u>5,173,555</u>
Expenditures:						
Current:						
Public works				2,372,915		2,372,915
Parks and recreation			29,645			29,645
Education	855,778	899,109				1,754,887
Debt service:						
Principal retirement				312,564		312,564
Interest and other charges				63,110		63,110
Capital outlay				14,670		14,670
Total expenditures	<u>855,778</u>	<u>899,109</u>	<u>29,645</u>	<u>2,763,259</u>	<u>-</u>	<u>4,547,791</u>
Excess (Deficiency) of Revenues over Expenditures	<u>83,789</u>	<u>-</u>	<u>(12,091)</u>	<u>554,066</u>	<u>-</u>	<u>625,764</u>
Other Financing Sources (Uses):						
Transfers out				(99,002)		(99,002)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,002)</u>	<u>-</u>	<u>(99,002)</u>
Net Change in Fund Balances	83,789	-	(12,091)	455,064	-	526,762
Fund Balances at Beginning of Year	<u>186,291</u>		<u>31,154</u>	<u>649,829</u>	<u>534</u>	<u>867,808</u>
Fund Balances at End of Year	<u>\$ 270,080</u>	<u>\$ -</u>	<u>\$ 19,063</u>	<u>\$ 1,104,893</u>	<u>\$ 534</u>	<u>\$ 1,394,570</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.

Pool fund: is used to account for activity for the pool managed by third party.

**TOWN OF EAST LYME, CONNECTICUT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2020**

	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 103,935	\$ 3,123	\$ 107,058
Total assets	<u>103,935</u>	<u>3,123</u>	<u>107,058</u>
Net Position:			
Held in trust for other purposes	<u>\$ 103,935</u>	<u>\$ 3,123</u>	<u>\$ 107,058</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF EAST LYME, CONNECTICUT
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>N. Parahus Senior Citizens Fund</u>	<u>Clarence A. Haynes Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Private contributions	\$ 1,728	\$	\$ 1,728
Investment earnings:			
Interest	<u>1,555</u>	<u>2</u>	<u>1,557</u>
Total additions	3,283	2	3,285
Net Position at Beginning of Year	<u>100,652</u>	<u>3,121</u>	<u>103,773</u>
Net Position at End of Year	<u>\$ 103,935</u>	<u>\$ 3,123</u>	<u>\$ 107,058</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST LYME, CONNECTICUT
AGENCY FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ 475,138	\$ 719,698	\$ 731,728	\$ 463,108
Liabilities:				
Fiduciary deposits	\$ 475,138	\$ 719,698	\$ 731,728	\$ 463,108
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 657,665	\$ 46,607	\$ 4,033	\$ 700,239
Liabilities:				
Accounts payable	\$ 201,456	\$ 15,000	\$	\$ 216,456
Fiduciary deposits	456,209	31,607	4,033	483,783
Total liabilities	\$ 657,665	\$ 46,607	\$ 4,033	\$ 700,239
Pool Fund				
Assets:				
Cash and cash equivalents	\$ 104,835	\$ 165,462	\$ 259,779	\$ 10,518
Other receivables	9,549		9,549	-
Total assets	\$ 114,384	\$ 165,462	\$ 269,328	\$ 10,518
Liabilities:				
Accounts Payable	\$	\$ 1,830	\$	\$ 1,830
Fiduciary deposits	114,384	163,632	269,328	8,688
Total liabilities	\$ 114,384	\$ 165,462	\$ 269,328	\$ 10,518
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,237,638	\$ 931,767	\$ 995,540	\$ 1,173,865
Other receivables	9,549		9,549	-
Total assets	\$ 1,247,187	\$ 931,767	\$ 1,005,089	\$ 1,173,865
Liabilities:				
Accounts payable	\$ 201,456	\$ 15,000	\$	\$ 216,456
Fiduciary deposits	1,045,731	916,767	1,005,089	957,409
Total liabilities	\$ 1,247,187	\$ 931,767	\$ 1,005,089	\$ 1,173,865

Other Schedules

**TOWN OF EAST LYME, CONNECTICUT
PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2020**

Grand List of October 1,	Uncollected Taxes July 1, 2019	Current Levy	Lawful Corrections		Transfers to Suspense	Adjusted Tax Levy	Collections			Uncollected Taxes June 30, 2020
			Additions	Deletions			Taxes	Interest Liens and Other Fees	Total	
2003	\$ 4,419	\$	\$	\$ 4,419	\$	\$ -	\$	\$	\$ -	\$ -
2004	4,940			4,940		-			-	-
2005	9,214			140	2,009	7,065		-	-	7,065
2006	13,804				1,593	12,211	135	2,574	2,709	12,076
2007	18,479				474	18,005	208	425	633	17,797
2008	23,736				521	23,215	460	839	1,299	22,755
2009	46,430				1,122	45,308	1,859	955	2,814	43,449
2010	71,436				618	70,818	2,182	7,092	9,274	68,636
2011	77,805				1,337	76,468	9,092	9,751	18,843	67,376
2012	117,476				1,707	115,769	26,443	25,091	51,534	89,326
2013	150,285			103	2,264	147,918	26,636	35,037	61,673	121,282
2014	175,136			63	3,156	171,917	28,436	23,851	52,287	143,481
2015	226,173		379	667	10,928	214,957	34,830	22,966	57,796	180,127
2016	302,296		3,152	3,540	1,025	300,883	74,049	31,425	105,474	226,834
2017	645,563		3,775	11,267	658	637,413	309,463	60,394	369,857	327,950
Total Prior Years	1,887,192	-	7,306	25,139	27,412	1,841,947	513,793	220,400	734,193	1,328,154
2018	-	62,013,917	32,774	336,626	336	61,709,729	61,077,526	172,074	61,249,600	632,203
Total All Years	\$ 1,887,192	\$ 62,013,917	\$ 40,080	\$ 361,765	\$ 27,748	\$ 63,551,676	\$ 61,591,319	\$ 392,474	\$ 61,983,793	\$ 1,960,357

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2020**

Total Tax Collections, (Including Interest and Lien Fees)
For the year ended June 30, 2019 \$ 59,553,425

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>	<u>Total</u>
Debt Limitation:						
2.25 times base	\$ 133,995,206	\$	\$	\$	\$	\$ 133,995,206
4.50 times base		267,990,413				267,990,413
3.75 times base			223,325,344			223,325,344
3.25 times base				193,548,631		193,548,631
3 times base					178,660,275	178,660,275
7 times base						416,873,975
Total debt limitation	<u>133,995,206</u>	<u>267,990,413</u>	<u>223,325,344</u>	<u>193,548,631</u>	<u>178,660,275</u>	<u>997,519,869</u>
Indebtedness:						
Bonds and notes payable	20,515,000	21,070,000	2,073,000			43,658,000
Bonds anticipation notes (short term)	2,000,000	8,045,000				10,045,000
Bonds anticipation notes (bonded in 20/21)	4,780,000	10,000,000				14,780,000
Capital leases	2,493,095					2,493,095
Bonds authorized and unissued	1,139,522	3,095,441				4,234,963
Total indebtedness	<u>30,927,617</u>	<u>42,210,441</u>	<u>2,073,000</u>	<u>-</u>	<u>-</u>	<u>75,211,058</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>103,067,589</u>	\$ <u>225,779,972</u>	\$ <u>221,252,344</u>	\$ <u>193,548,631</u>	\$ <u>178,660,275</u>	\$ <u>922,308,811</u>

Notes:

- In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$ 416,873,975
- There is no overlapping debt for the Town of East Lyme
- Water related debt has been excluded from the calculation.

**TOWN OF EAST LYME, CONNECTICUT
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2020**

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Eliminate Interfund Receivables	Totals
ASSETS						
Cash and cash equivalents	\$ 7,825,443	\$ 232,682	\$	\$	\$	\$ 8,058,125
Receivables:						
Property taxes receivable, net	2,925,857					2,925,857
Assessment/User charges	43,983					43,983
Intergovernmental	327,474					327,474
Other receivables	911,597			302		911,899
Due from other funds	2,952,901		26,503	21,009	(47,512)	2,952,901
Total Assets	<u>\$ 14,987,255</u>	<u>\$ 232,682</u>	<u>\$ 26,503</u>	<u>\$ 21,311</u>	<u>\$ (47,512)</u>	<u>\$ 15,220,239</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accruals	\$ 1,410,328	\$	\$ 105	\$ 30,413	\$	\$ 1,440,846
Due to other funds	490,677				(47,512)	443,165
Total liabilities	<u>1,901,005</u>	<u>-</u>	<u>105</u>	<u>30,413</u>	<u>(47,512)</u>	<u>1,884,011</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	2,844,962					2,844,962
Unavailable revenue - property taxes	365,735					365,735
Unavailable revenue	75			302		377
Total deferred inflows of resources	<u>3,210,772</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>-</u>	<u>3,211,074</u>
Fund balances:						
Assigned	1,669,519	232,682	26,398			1,928,599
Unassigned	8,205,959			(9,404)		8,196,555
Total fund balances	<u>9,875,478</u>	<u>232,682</u>	<u>26,398</u>	<u>(9,404)</u>	<u>-</u>	<u>10,125,154</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,987,255</u>	<u>\$ 232,682</u>	<u>\$ 26,503</u>	<u>\$ 21,311</u>	<u>\$ (47,512)</u>	<u>\$ 15,220,239</u>

**TOWN OF EAST LYME, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Totals
Revenues:					
Property taxes, interest and lien fees	\$ 61,995,733	\$	\$	\$	\$ 61,995,733
Intergovernmental revenues	14,953,081				14,953,081
Charges for services	5,222,408	671,238	24,590	427,322	6,345,558
Investment income	147,132				147,132
Total revenues	<u>82,318,354</u>	<u>671,238</u>	<u>24,590</u>	<u>427,322</u>	<u>83,441,504</u>
Expenditures:					
Current:					
General government	7,602,767		28,898		7,631,665
Public safety	4,563,330				4,563,330
Public works	3,598,002				3,598,002
Health and welfare	230,511				230,511
Culture and recreation	1,897,332			602,534	2,499,866
Education	55,582,297	642,969			56,225,266
Debt service:					
Principal retirement	4,011,242				4,011,242
Interest and other charges	1,195,838				1,195,838
Capital outlay	544,532				544,532
Total expenditures	<u>79,225,851</u>	<u>642,969</u>	<u>28,898</u>	<u>602,534</u>	<u>80,500,252</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,092,503</u>	<u>28,269</u>	<u>(4,308)</u>	<u>(175,212)</u>	<u>2,941,252</u>
Other Financing Sources (Uses):					
Transfers in from other funds	51,592		(7,397)		44,195
Transfers out to other funds	(275,257)		15,024		(260,233)
Total other financing (uses)	<u>(223,665)</u>	<u>-</u>	<u>7,627</u>	<u>-</u>	<u>(216,038)</u>
Net Change in Fund Balances	2,868,838	28,269	3,319	(175,212)	2,725,214
Fund Balances at Beginning of Year	<u>7,006,640</u>	<u>204,413</u>	<u>23,079</u>	<u>165,808</u>	<u>7,399,940</u>
Fund Balances at End of Year	<u>\$ 9,875,478</u>	<u>\$ 232,682</u>	<u>\$ 26,398</u>	<u>\$ (9,404)</u>	<u>\$ 10,125,154</u>

