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TOWN OF EAST LYME, CONNECTICUT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022

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FINANCIAL SECTION

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BASIC FINANCIAL STATEMENTS

TOWN OF EAST LYME, CONNECTICUT STATEMENT OF NET POSITION JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	30,134,135	\$ 917,869	\$ 31,052,004
Cash Held by Escrow Agent	2,370,145	-	2,370,145
Receivables:			
Property Taxes, Net	1,596,137	-	1,596,137
User Charges, Net	3,418,601	518,273	3,936,874
Intergovernmental	4,310,245	-	4,310,245
Other Receivables	724,359	19,490	743,849
Internal Balances	478,038	(478,038)	-
Other Assets	59,146	13,350	72,496
Total Current Assets	43,090,806	990,944	44,081,750
Noncurrent Assets:			
Capital Assets, Nondepreciable	35,832,898	623,015	36,455,913
Capital Assets, Net of Accumulated Depreciation	128,334,907	40,834,883	169,169,790
Total Noncurrent Assets	164,167,805	41,457,898	205,625,703
Total Assets	207,258,611	42,448,842	249,707,453
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	645,794	-	645,794
Deferred Outflows Related to Pension	3,355,832	128,936	3,484,768
Deferred Outflows Related to OPEB	2,077,269	79,813	2,157,082
Total Deferred Outflows of Resources	6,078,895	208,749	6,287,644
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	2,451,762	431,899	2,883,661
Accrued Interest Payable	1,024,150	-	1,024,150
Unearned Revenue	1,227,333	45,775	1,273,108
Bond Anticipation Notes Payable	3,922,000	-	3,922,000
Current Maturities of Long-Term Obligations	6,422,184	-	6,422,184
Total Current Liabilities	15,047,429	477,674	15,525,103
Noncurrent Liabilities:			
Due in More Than One Year	89,945,227	268,585	90,213,812
Total Liabilities	104,992,656	746,259	105,738,915
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension	3,259,887	125,250	3,385,137
Deferred Inflows Related to OPEB	6,794,904	261,071	7,055,975
Total Deferred Inflows of Resources	10,054,791	386,321	10,441,112
NET POSITION			
Net Investment in Capital Assets	83,014,762	41,457,898	124,472,660
Restricted for:			
Endowments:			
Nonexpendable	534	-	534
Education	884,396	-	884,396
Culture and Recreation	45,992	-	45,992
Unrestricted	14,344,375	67,113	14,411,488
Total Net Position	\$ 98,290,059	\$ 41,525,011	\$ 139,815,070

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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EXHIBIT II

Function/Program Activities	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 9,480,277	\$ 2,268,096	\$ 7,642,317	\$ -	\$ 430,136	\$ -	\$ 430,136
Public Safety	5,501,733	210,096	-	-	(5,291,637)	-	(5,291,637)
Public Works	7,066,021	5,258,476	1,812,990	-	5,445	-	5,445
Health and Welfare	259,045	-	-	-	(259,045)	-	(259,045)
Culture and Recreation	2,637,886	770,947	5,500	-	(1,861,439)	-	(1,861,439)
Education	65,251,450	5,081,075	9,015,496	-	(51,154,879)	-	(51,154,879)
Interest and Fiscal Charges	553,459	-	-	-	(553,459)	-	(553,459)
Total Governmental Activities	<u>90,749,871</u>	<u>13,588,690</u>	<u>18,476,303</u>	<u>-</u>	<u>(58,684,878)</u>	<u>-</u>	<u>(58,684,878)</u>
Business-Type Activities:							
Sewer	2,939,962	2,387,556	-	-	-	(552,406)	(552,406)
Total Business-Type Activities	<u>2,939,962</u>	<u>2,387,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(552,406)</u>	<u>(552,406)</u>
Total Primary Government	<u>\$ 93,689,833</u>	<u>\$ 15,976,246</u>	<u>\$ 18,476,303</u>	<u>\$ -</u>	<u>(58,684,878)</u>	<u>(552,406)</u>	<u>(59,237,284)</u>
GENERAL REVENUES							
Property Taxes					65,133,606	-	65,133,606
Grants and Contributions Not Restricted to Specific Programs					1,129,660	-	1,129,660
Unrestricted Investment Earnings					50,941	-	50,941
Miscellaneous					106,387	-	106,387
Transfers					(62,500)	62,500	-
Total General Revenues and Transfers					<u>66,358,094</u>	<u>62,500</u>	<u>66,420,594</u>
CHANGE IN NET POSITION					7,673,216	(489,906)	7,183,310
Net Position - Beginning of Year, as Restated					<u>90,616,843</u>	<u>42,014,917</u>	<u>132,631,760</u>
NET POSITION - END OF YEAR					<u>\$ 98,290,059</u>	<u>\$ 41,525,011</u>	<u>\$ 139,815,070</u>

See accompanying Notes to Financial Statements.

TOWN OF EAST LYME, CONNECTICUT BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2022

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 14,963,619	\$ 3,852,707	\$ 5,390,275	\$ 2,333,972	\$ 3,251,785	\$ 29,792,358
Cash Held by Escrow Agent	-	-	2,370,145	-	-	2,370,145
Receivables:						
Property Taxes Receivable, Net	1,596,137	-	-	-	-	1,596,137
Assessment/User Charges	51,264	2,292,043	-	-	1,075,294	3,418,601
Intergovernmental	980	-	3,936,037	29,962	343,266	4,310,245
Other Receivables	650,253	58,194	-	4,280	11,632	724,359
Due from Other Funds	3,722,365	586,911	131,433	172,933	1,456,032	6,069,674
Advances to Other Funds	-	442,337	-	-	-	442,337
Inventory	-	-	-	-	59,146	59,146
Total Assets	\$ 20,984,618	\$ 7,232,192	\$ 11,827,890	\$ 2,541,147	\$ 6,197,155	\$ 48,783,002
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable and Accruals	\$ 1,682,407	\$ 30,868	\$ 53,323	\$ 202,636	\$ 470,168	\$ 2,439,402
Due to Other Funds	1,828,028	-	1,871,747	161,453	819,938	4,681,166
Unearned Revenue	210,872	-	-	-	1,016,461	1,227,333
Advances from Other Funds	-	-	400,000	-	42,337	442,337
Interim Funding Obligation	-	-	-	-	-	-
Bond Anticipation Notes Payable	-	-	1,257,000	2,665,000	-	3,922,000
Total Liabilities	3,721,307	30,868	3,582,070	3,029,089	2,348,904	12,712,238
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	1,503,005	-	-	-	-	1,503,005
Unavailable Revenue - Assessments	-	2,377,544	-	-	765,608	3,143,152
Unavailable Revenue - Grants	4,083	-	3,936,037	-	-	3,940,120
Unavailable Revenue- Other	75	-	-	-	-	75
Total Deferred Inflows of Resources	1,507,163	2,377,544	3,936,037	-	765,608	8,586,352
FUND BALANCES						
Nonspendable	-	-	-	-	59,680	59,680
Restricted	-	-	-	-	930,388	930,388
Committed	533,684	4,823,780	4,649,657	-	2,092,647	12,099,768
Assigned	2,014,905	-	-	-	-	2,014,905
Unassigned	13,207,559	-	(339,874)	(487,942)	(72)	12,379,671
Total Fund Balances	15,756,148	4,823,780	4,309,783	(487,942)	3,082,643	27,484,412
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,984,618	\$ 7,232,192	\$ 11,827,890	\$ 2,541,147	\$ 6,197,155	\$ 48,783,002

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2022**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Fund Balances - Total Governmental Funds (Exhibit III) \$ 27,484,412

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental Capital Assets	288,215,810
Less: Accumulated Depreciation	<u>(124,048,005)</u>
Net Capital Assets	164,167,805

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:

Net Pension Asset	-
Property Tax Receivables Greater Than 60 Days	1,503,005
Water and Sewer Assessments	3,143,152
Intergovernmental Grants	3,940,120
Charges for Services	75
Deferred Outflows Related to Pensions	3,355,832
Deferred Outflows Related to OPEB	2,077,269

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.

(581,053)

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	(75,254,921)
Capital Lease Payable	(3,022,104)
Deferred Charge on Refunding	645,794
Unamortized Premium on Bonds Payable	(5,185,427)
Interest Payable on Bonds	(1,024,150)
Landfill Post-Closure Costs	-
Claims and Other	(950,000)
Total OPEB Liability	(3,413,898)
Compensated Absences	(4,964,499)
Net Pension Liability	(3,576,562)
Deferred Inflows Related to OPEB	(6,794,904)
Deferred Inflows Related to Pensions	<u>(3,259,887)</u>

Net Position of Governmental Activities as Reported on the Statement of Net Position (Exhibit I)

\$ 98,290,059

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes, Interest, and Lien Fees	\$ 66,437,395	\$ -	\$ -	\$ -	\$ -	\$ 66,437,395
Intergovernmental Revenues	15,447,789	22,504	52,062	207,564	6,086,532	21,816,451
Charges for Services	8,133,635	1,052,309	-	66,271	4,337,263	13,589,478
Investment Income	34,111	6,766	6,838	3,226	-	50,941
Other	12,795	-	-	91,557	2,035	106,387
Total Revenues	90,065,725	1,081,579	58,900	368,618	10,425,830	102,000,652
EXPENDITURES						
Current:						
General Government	8,002,340	-	-	2,750	-	8,005,090
Public Safety	5,231,469	-	-	2,577	-	5,234,046
Public Works	4,064,621	122,101	-	-	3,993,813	8,180,535
Health and Welfare	259,045	-	-	-	-	259,045
Parks and Recreation	2,628,817	-	-	-	7,607	2,636,424
Education	59,678,510	-	-	-	4,489,183	64,167,693
Debt Service:						
Principal Retirement	3,694,892	-	-	-	253,002	3,947,894
Interest and Other Charges	1,960,196	-	214,352	86,300	141,760	2,402,608
Capital Outlay	562,748	194,572	2,504,565	3,176,789	637,887	7,076,561
Total Expenditures	86,082,638	316,673	2,718,917	3,268,416	9,523,252	101,909,896
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	3,983,087	764,906	(2,660,017)	(2,899,798)	902,578	90,756
OTHER FINANCING SOURCES (USES)						
Issuance Premiums	-	-	442,208	15,576	-	457,784
Financed Purchases	-	-	1,242,010	-	-	1,242,010
Issuance of Drinking Water Loan	-	-	6,528,332	-	-	6,528,332
Transfers in	317,836	-	71,294	137,880	-	527,010
Transfers Out	(137,880)	-	(157,396)	(160,440)	(133,794)	(589,510)
Total Other Financing (Uses)	179,956	-	8,126,448	(6,984)	(133,794)	8,165,626
NET CHANGE IN FUND BALANCES						
	4,163,043	764,906	5,466,431	(2,906,782)	768,784	8,256,382
Fund Balances - Beginning of Year, as Restated	11,593,105	4,058,874	(1,156,648)	2,418,840	2,313,859	19,228,030
FUND BALANCES - END OF YEAR	\$ 15,756,148	\$ 4,823,780	\$ 4,309,783	\$ (487,942)	\$ 3,082,643	\$ 27,484,412

See accompanying Notes to Financial Statements.

TOWN OF EAST LYME, CONNECTICUT STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2022

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds (Exhibit IV)	\$	8,256,382
<p>Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:</p> <p>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.</p>		
Capital Outlay		6,874,656
Depreciation Expense		(5,826,076)
Disposition of Capital Assets		(53,249)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Net Pension Asset		(942,181)
Property Taxes Receivable - Accrual Basis Change		(1,303,789)
Charges for Services - Accrual Basis Change		(788)
Intergovernmental Grants - Accrual Basis Change		(235,934)
Changes in Deferred Outflows Related to OPEB		(225,095)
Changes in Deferred Outflows Related to Pensions		5,015,114
<p>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.</p>		
Note Payable Issuance		(6,528,332)
Principal Payments on Bonds and Notes Payable		4,068,357
Premium on Bonds Issued		(457,784)
Financed Purchases		(1,242,010)
Principal Payments on Financed Purchases		1,251,284
<p>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.</p>		
Amortization of Deferred Charge on Refunding		(81,519)
Amortization of Premium		674,093
Change in Accrued Interest		1,544,325
Change in Compensated Absences		(102,821)
Change in Net Pension Liability		(3,576,562)
Change in Total OPEB Liability		470,284
Change in Deferred Inflows Related to OPEB		197,160
Change in Deferred Inflows Related to Pension		(102,299)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (Exhibit III)	\$	7,673,216

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022**

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EXHIBIT V

	Business-Type Activities Enterprise Fund Sewer Department	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 917,869	\$ 341,777
Receivables:		
User Charges, Net	518,273	-
Other	19,490	-
Due from Other Funds	17,690	15,918
Other Assets	13,350	-
Total Current Assets	1,486,672	357,695
Noncurrent Assets:		
Capital Assets, Nondepreciable	623,015	-
Capital Assets, Net of Accumulated Depreciation	40,834,883	-
Total Noncurrent Assets	41,457,898	-
Total Assets	42,944,570	357,695
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	128,936	
Deferred Outflows Related to OPEB	79,813	
Total Deferred Outflows of Resources	208,749	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	340,087	-
Compensated Absences	88,764	-
Due to Other Funds	495,728	926,388
Meter Deposits	3,048	-
Unearned Revenue	45,775	-
Claims Incurred But Not Reported	-	12,360
Total Current Liabilities	973,402	938,748
Noncurrent Liabilities:		
Due in More Than One Year	268,585	
Total Liabilities	1,241,987	938,748
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	125,250	
Deferred Inflows Related to OPEB	261,071	
Total Deferred Inflows of Resources	386,321	-
NET POSITION		
Investment in Capital Assets	41,457,898	-
Unrestricted	67,113	(581,053)
Total Net Position (Deficit)	\$ 41,525,011	\$ (581,053)

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022**

	<u>Business-Type Activities Enterprise Fund Sewer Department</u>	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES		
Charges for Services	\$ 2,387,556	\$ -
Total Operating Revenues	<u>2,387,556</u>	<u>-</u>
OPERATING EXPENSES		
Salaries and Benefits	685,533	-
Operations and Maintenance	1,384,531	-
Contracted and Purchased Services	73,499	-
Depreciation Expense	796,399	-
Total Operating Expenses	<u>2,939,962</u>	<u>-</u>
OPERATING INCOME (LOSS)	(552,406)	-
Transfers In	<u>62,500</u>	<u>-</u>
CHANGE IN NET POSITION	(489,906)	-
Net Position - Beginning of Year, as Restated	<u>42,014,917</u>	<u>(581,053)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ 41,525,011</u></u>	<u><u>\$ (581,053)</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022**

	Business-Type Activities Enterprise Fund	Governmental Activities
	Sewer Department	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 2,297,922	\$ 280,342
Payments to Suppliers	(1,270,580)	-
Payments to Employees	(706,849)	-
Claims Paid and Administration	-	(140,171)
Net Cash Provided (Used) by Operating Activities	320,493	140,171
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund Borrowings	5,545	-
Transfers from Other Funds	62,500	-
Net Cash Provided (Used) by Noncapital Financing Activities	68,045	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Property, Plant, and Equipment	(9,137)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,137)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	379,401	140,171
Cash and Cash Equivalents - Beginning of Year	538,468	201,606
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 917,869	\$ 341,777
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (552,406)	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	796,399	-
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(119,538)	280,342
Net Pension Asset	36,200	
Deferred Outflows - Pension	(107,154)	
Deferred Outflows - Other Post Employment Benefit	8,648	
Increase (Decrease) in:		
Accounts Payable	187,450	-
Compensated Absences	10,821	-
Unearned Revenues	29,904	-
Claims Payable	-	(140,171)
Net Pension and OPEB Liability	119,348	
Deferred Inflows - Pension	(81,604)	
Deferred Inflows - Other Post Employment Benefit	(7,575)	
Total Adjustments	872,899	140,171
Net Cash Provided (Used) by Operating Activities	\$ 320,493	\$ 140,171

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	Pension Trust Funds	Private-Purpose Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 381,976	\$ 98,970
Investments, at Fair Value:		
Mutual Funds	29,736,233	-
Total Assets	30,118,209	98,970
NET POSITION		
Restricted for Pension Benefits and Other Trust Purposes	\$ 30,118,209	\$ 98,970

See accompanying Notes to Financial Statements.

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
YEAR ENDED JUNE 30, 2022**

	Pension Trust Funds	Private-Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 896,494	\$ -
Plan Members	287,657	-
Private Contributions	-	825
Total Contributions	1,184,151	825
Investment Earnings:		
Net Change in Fair Value of Investments	(4,656,183)	-
Interest	-	134
Total Investment Earnings	(4,656,183)	134
Total Additions	(3,472,032)	959
DEDUCTIONS		
Benefits	1,739,201	-
Administration	53,968	9,902
Total Deductions	1,793,169	9,902
CHANGE IN NET POSITION	(5,265,201)	(8,943)
Net Position - Beginning of Year	35,383,410	107,913
NET POSITION - END OF YEAR	\$ 30,118,209	\$ 98,970

See accompanying Notes to Financial Statements.

NOTE 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) require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and 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. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. These criteria have been considered and have resulted in the inclusion of the component units as detailed below.

Fiduciary Component Units

The Town has established a single-employer defined benefit plan and a single-employer defined contribution plan to provide retirement benefits to employees and their beneficiaries. The Town appoints the Pension Board and is required to make contributions to the pension plans and can impose it will. The financial statements of the fiduciary component units are reported as Pension Trust Fund in the fiduciary fund financial statements. Separate financial statements have not been prepared for the fiduciary 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 nonfiduciary 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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 postemployment costs, and claims and judgments which are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use lease assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Town reports the following major governmental funds:

General Fund

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.

Sewer Assessments Fund

The Sewer Assessments Fund, a special revenue fund, accounts for the resources that are used to finance sewer system improvements.

Bonded Capital Projects Fund

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

Capital Nonrecurring Fund

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:

Sewer 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

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

Capital Project Funds

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Permanent 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.

Internal Service Fund

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

Pension Trust Funds

The Pension Trust Funds account for the activities of the Town's Employees' Retirement System, a defined benefits pension trust fund and the Town's Defined Contribution Trust Fund, which accumulates resources for pension benefit payments to qualified employees.

Private-Purpose Trust Funds

The Private-Purpose Trust Funds are used to account for resources legally held in trust for senior citizens and others. 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

Investments

All investments are stated at fair value.

E. 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 30 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". Advances from/to other funds represent loans to other funds, which are not expected to be repaid within the subsequent annual operating cycle.

F. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

Land and easements and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	30 to 100 Years
Infrastructure	25 to 75 Years
Sewer Systems	50 to 75 Years
Water Systems	25 to 50 Years
Machinery, Equipment, and Vehicles	5 to 15 Years

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

I. 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.

J. 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.

K. 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 assets 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 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). Differences in investment income are expensed over five years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town 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, assessments, 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.

L. 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 effective 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.

M. 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:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

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.

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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

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 an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

N. 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.

NOTE 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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- 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. There were no additional appropriations for the year ended June 30, 2022.
- 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, 2022, the Town reported deficit fund balance/net position in the following funds:

Capital and Nonrecurring Fund	\$	487,942
Internal Service Fund		581,053
Special Education Grants Fund		72

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.

NOTE 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.”

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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*, \$28,467,243 of the Town's bank balance of \$30,927,023 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 25,402,312
Uninsured and Collateral Held by the Pledging Bank's Trust Department, Not in the Town's Name	<u>3,064,931</u>
Total Amount Subject to Custodial Risk	<u><u>\$ 28,467,243</u></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.

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, 2022, the Town's cash equivalents amounted to \$3,606,715. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Cash Equivalents (Continued)

	Standard & Poor's
State Short-Term Investment Fund (STIF)	<hr/> AAAm

STIF is an investment pool of high-quality, short-term money market instruments with an average maturity of less than 60 days. There are no limitations or restrictions on any withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

Investments

At June 30, 2022, the Town's investments (all pension fund investments) of \$29,736,233 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.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Fair Value (Continued)

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, 2022:

	June 30, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Mutual Funds	\$ 29,736,233	\$ 29,736,233	\$ -	\$ -

Mutual funds are classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 4 RECEIVABLES

Receivable as of year-end for the Town’s individual major funds and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are presented below.

	General Fund	Sewer Assessments Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Sewer Department	Nonmajor and Other Funds	Total
Receivables:							
Property Taxes	\$ 1,596,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,596,137
Water and Sewer Use Fees	51,264	2,432,043	-	-	525,773	1,092,294	4,101,374
Intergovernmental	980	-	3,936,037	29,962	-	343,266	4,310,245
Other Receivables	650,253	58,194	-	4,280	19,490	11,632	743,849
Gross Receivables	<u>2,298,634</u>	<u>2,490,237</u>	<u>3,936,037</u>	<u>34,242</u>	<u>545,263</u>	<u>1,447,192</u>	<u>10,751,605</u>
Less: Allowance for Uncollectible	-	(140,000)	-	-	(7,500)	(17,000)	(164,500)
Net Total Receivables	<u>\$ 2,298,634</u>	<u>\$ 2,350,237</u>	<u>\$ 3,936,037</u>	<u>\$ 34,242</u>	<u>\$ 537,763</u>	<u>\$ 1,430,192</u>	<u>\$ 10,587,105</u>

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning* Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 24,817,947	\$ -	\$ -	\$ 24,817,947
Construction in Progress	4,734,598	6,280,353	-	11,014,951
Total Capital Assets Not Being Depreciated	29,552,545	6,280,353	-	35,832,898
Capital Assets Being Depreciated:				
Buildings and Improvements	163,930,801	128,116	-	164,058,917
Machinery and Equipment	11,676,685	92,974	47,664	11,721,995
Vehicles	13,195,487	293,333	23,580	13,465,240
Infrastructure	27,590,872	79,880	-	27,670,752
Water Distribution Systems	35,466,008	-	-	35,466,008
Total Capital Assets Being Depreciated	251,859,853	594,303	71,244	252,382,912
Total Capital Assets	281,412,398	6,874,656	71,244	288,215,810
Less: Accumulated Depreciation for:				
Buildings and Improvements	74,539,162	2,871,122	-	77,410,284
Machinery and Equipment	6,814,912	653,834	16,275	7,452,471
Vehicles	7,349,538	633,450	1,720	7,981,268
Infrastructure	13,290,117	1,101,364	-	14,391,481
Water Distribution Systems	16,246,195	566,306	-	16,812,501
Total Accumulated Depreciation	118,239,924	5,826,076	17,995	124,048,005
Total Capital Assets Being Depreciated, Net	133,619,929	(5,231,773)	53,249	128,334,907
Governmental Activities Capital Assets, Net	<u>\$ 163,172,474</u>	<u>\$ 1,048,580</u>	<u>\$ 53,249</u>	<u>\$ 164,167,805</u>

Beginning balance of capital assets was restated to correct an overstatement of accumulated depreciation of capital assets. See Note 13.

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 6 INTERFUND BALANCES AND TRANSFERS

Interfund payables and receivables: A summary of interfund balances as of June 30, 2022, is as follows:

Receivable Fund	Due From Other Funds	Due From Other Funds
General Fund	\$ 3,722,365	\$ 1,828,028
Sewer Assessment Fund	586,911	-
Bonded Capital Projects	131,433	1,871,747
Capital Nonrecurring Fund	172,933	161,453
Nonmajor Governmental Funds	1,456,032	819,938
Sewer Department	17,690	495,728
Internal Service Fund	15,918	926,388
Total	<u>\$ 6,103,282</u>	<u>\$ 6,103,282</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.

\$400,000 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, 2022, is as follows:

	Transfers In				Total Transfer Out
	General Fund	Bonded Capital Projects	Capital Nonrecurring Fund	Sewer Fund	
Transfers Out:					
General Fund	\$ -	\$ -	\$ 137,880	\$ -	\$ 137,880
Capital nonrecurring fund	160,440	-	-	-	160,440
Bonded Capital Projects	157,396	-	-	-	157,396
Nonmajor Governmental Funds	-	71,294	-	62,500	133,794
Transfers In	<u>\$ 317,836</u>	<u>\$ 71,294</u>	<u>\$ 137,880</u>	<u>\$ 62,500</u>	<u>\$ 589,510</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, 2022**

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NOTE 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, 2022, was as follows:

Date Issued	Maturity Date	Interest Rate (%)	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022
8/13/20	8/12/21	2.00%	\$ 11,420,000	\$ -	\$ 11,420,000	\$ -
8/12/21	8/11/22	2.00%	-	3,922,000	-	3,922,000
Total			<u>\$ 11,420,000</u>	<u>\$ 3,922,000</u>	<u>\$ 11,420,000</u>	<u>\$ 3,922,000</u>

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, 2022, was as follows:

Date Issued	Interest Rate (%)	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022
5/22/20	2.00%	\$ 5,356,485	\$ -	\$ 5,356,485	\$ -

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 57,530,000	\$ 10,045,000	\$ 3,590,000	\$ 63,985,000	\$ 3,560,000
Drinking Water Notes	5,219,946	6,528,332	478,357	11,269,921	679,103
Premium on Bonds	5,401,736	457,784	674,093	5,185,427	-
Total Bonds, Notes, and Premiums	68,151,682	17,031,116	4,742,450	80,440,348	4,239,103
Other Long-Term Liabilities:					
Bond Anticipation Notes	10,045,000	-	10,045,000	-	-
Financed Purchases	3,031,378	1,242,010	1,251,284	3,022,104	1,214,769
Landfill Post-Closure Costs	-	-	-	-	-
Retainage	-	-	-	-	-
Claims and Other	950,000	-	-	950,000	-
Compensated Absences	4,861,678	1,238,561	1,135,740	4,964,499	968,312
Total OPEB Liability	3,884,182	-	470,284	3,413,898	-
Net Pension Liability	-	3,576,562	-	3,576,562	-
Total Other Long-Term Liabilities	<u>22,772,238</u>	<u>6,057,133</u>	<u>12,902,308</u>	<u>15,927,063</u>	<u>2,183,081</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 90,923,920</u>	<u>\$ 23,088,249</u>	<u>\$ 17,644,758</u>	<u>\$ 96,367,411</u>	<u>\$ 6,422,184</u>

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

	Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Other Long-Term Liabilities:					
Total OPEB Liability	\$ 149,237		\$ 18,069	\$ 131,168	\$ -
Net Pension Liability	-	137,417	-	137,417	-
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 149,237</u>	<u>\$ 137,417</u>	<u>\$ 18,069</u>	<u>\$ 268,585</u>	<u>\$ -</u>

Beginning balance of long term debt was restated to correct allocation of pension and OPEB related items between governmental activities and business type activities and correct amounts related to premiums and long term debt outstanding. See Note 13.

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.

General Obligation Bonds

General obligation bonds as of June 30, 2022, consisted of the following:

	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities:								
General Purpose:								
Refunding - General Purpose	6,930,000	7/24/2014	7/15/2030	2.0 - 4.0%	785,000	-	390,000	395,000
General Purpose	5,120,000	7/23/2015	7/15/2035	2.0 - 4.0%	271,000	-	271,000	-
General Purpose	2,360,000	7/21/2016	7/15/2027	2.0 - 5.0%	1,510,000	-	250,000	1,260,000
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%	1,365,000	-	80,000	1,285,000
General Purpose	950,000	8/16/2018	8/15/2038	3.0 - 5.0%	850,000	-	50,000	800,000
Refunding - General Purpose	2,605,000	8/15/2019	7/15/2029	4.0 - 5.0%	2,230,000	-	400,000	1,830,000
General Purpose	4,700,000	8/13/2020	7/15/2040	3.0 - 5.0%	4,100,000	-	-	4,100,000
Refunding - General Purpose	325,000	8/13/2020	7/15/2040	3.0 - 5.0%	295,000	-	60,000	235,000
Refunding - General Purpose	3,605,000	6/25/2021	7/15/2036	3.0 - 4.0%	3,605,000	-	-	3,605,000
Refunding - General Purpose	4,719,000	6/25/2021	7/15/2035	.25% - 2.3%	4,719,000	-	144,000	4,575,000
General Purpose	2,000,000	8/25/2021	7/15/2041	3.0% - 5.0%	-	2,000,000	-	2,000,000
Total General Purpose					22,974,000	2,000,000	1,645,000	23,329,000
Schools:								
Schools	1,774,000	7/23/2015	7/15/2035	2.0 - 4.0%	54,000	-	54,000	-
Refunding - Schools	3,154,000	7/21/2016	7/15/2033	2.5 - 3.0%	390,000	-	-	390,000
Schools	1,595,000	8/31/2017	8/31/2037	2.0 - 5.0%	1,355,000	-	80,000	1,275,000
Schools	4,350,000	8/16/2018	8/15/2038	3.0 - 5.0%	3,825,000	-	300,000	3,525,000
Schools	10,000,000	8/15/2019	7/15/2039	2.5 - 5.0%	10,000,000	-	400,000	9,600,000
Refunding - Schools	1,418,000	8/15/2019	7/15/2029	4.0 - 5.0%	1,291,000	-	114,000	1,177,000
Schools	10,080,000	8/13/2020	7/15/2040	3.0 - 5.0%	10,680,000	-	-	10,680,000
Refunding - Schools	1,590,000	8/13/2020	7/15/2040	3.0 - 5.0%	1,590,000	-	565,000	1,025,000
Refunding - Schools	765,000	6/25/2021	7/15/2036	3.0 - 4.0%	765,000	-	-	765,000
Schools	8,045,000	8/25/2021	7/15/2041	3.0% - 5.0%	-	8,045,000	-	8,045,000
Total Schools					29,950,000	8,045,000	1,513,000	36,482,000
Sewer:								
Refunding - Sewers	916,000	7/24/2014	7/15/2030	2.0 - 4.0%	60,000	-	30,000	30,000
Refunding - Sewers	431,000	8/15/2019	7/15/2029	4.0 - 5.0%	397,000	-	28,000	369,000
Refunding - Sewers	765,000	8/13/2020	7/15/1940	3.0 - 5.0%	700,000	-	140,000	560,000
Refunding - Sewers	531,000	6/25/2021	7/15/1935	.25% - 2.3%	531,000	-	16,000	515,000
Total Sewer					1,688,000	-	214,000	1,474,000
Water:								
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	-	20,000	405,000
Refunding - Water	2,571,000	8/15/2019	7/15/2029	4.0-5.0%	2,347,000	-	198,000	2,149,000
Total Water					2,918,000	-	218,000	2,700,000
Total Governmental Activities					<u>\$ 57,530,000</u>	<u>\$ 10,045,000</u>	<u>\$ 3,590,000</u>	<u>\$ 63,985,000</u>

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

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, 2022, 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, 2020. Changes in the balance of claims liabilities during the past two years are as follows:

	Liability July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30,
2020-2021	\$ 157,099	\$ -	\$ 4,568	\$ 152,531
2021-2022	152,531	-	140,171	12,360

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.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

B. Benefit Provisions (Continued)

Normal Retirement Benefit

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

Firefighter COLA – For Retirees whose benefits start on or after July 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 1%.

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

Police COLA – For Retirees whose benefits start on or after July 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 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.

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.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

B. Benefit Provisions (Continued)

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 – 10 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 January 1, 2009, age 55)

Minimum Service – 10 Years (Prior to January 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.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

C. Contributions

Contribution requirements of the plan members and the Town are established and may be amended by the Board of Selectmen. Policemen and firemen are required to contribute 8% and 5.50%, 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.

D. 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 nonpermanent 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.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

D. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

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.

E. 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighting
Domestic Equity	31.00 %	5.24 %	1.62 %
International Equity	23.00	6.07	1.40
Fixed Income	40.00	1.17	0.47
Cash	1.00	(0.44)	-
Real Estate	5.00	4.75	0.24
Total	100.00 %		3.73 %
Long-Term Inflation Assumption			2.45
Long-Term Expected Nominal Rate of Return			6.27 %

F. Net Pension Liability

The components of the net pension liability of the Town at June 30, 2022, were as follows:

Total Pension Liability	\$ 31,019,252
Plan Fiduciary Net Position	27,305,273
Net Pension Liability (Asset)	\$ 3,713,979

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.03%
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**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

G. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances - July 1, 2021	\$ 30,850,331	\$ 31,828,712	\$ (978,381)
Changes for the Year:			
Service Cost	535,796	-	535,796
Interest on Total Pension Liability	2,001,722	-	2,001,722
Differences Between Expected and Actual Experience	(1,168,903)	-	(1,168,903)
Changes of Assumptions	-	-	-
Contributions - Employer	-	636,903	(636,903)
Contributions - Employee	-	156,489	(156,489)
Net Investment Income	-	(4,063,169)	4,063,169
Benefit Payments, Including Refunds of Employee Contributions	(1,199,694)	(1,199,694)	-
Administrative Expenses	-	(53,968)	53,968
Net Changes	168,921	(4,523,439)	4,692,360
Balances - June 30, 2022	\$ 31,019,252	\$ 27,305,273	\$ 3,713,979

H. Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was -12.84%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

I. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2022
Actuarial Cost Method	Individual Entry Age
Mortality Basis	SOA PUBS.H-2010 for Fire, Police - SOA PUBG.H - 2010 for All Others. Scale MP-2021 for All.
Inflation	2.45%
Salary Increases Including Inflation	3.25 - 6.50%
Investment Rate of Return	6.50%

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

J. Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2021, was 6.50%. 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.

K. 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 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	\$ 7,653,641	\$ 3,713,979	\$ 405,186

L. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2022, the recognized pension expense is \$(227,690). As of June 30, 2022, deferred outflows of resources and deferred inflows of resources related to pensions are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 30,986	\$ 1,402,651
Changes of Assumptions	375,970	1,982,486
Net Difference Between Projected and Actual Earning on Pension Plan Investments	3,077,812	
Total	\$ 3,484,768	\$ 3,385,137

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

401(a) Plan (Continued)

B. Net Position

The following schedule represents the net position held in trust for pension benefits at June 30, 2022, and the changes in net position for the year ended June 30, 2022.

	Pension Trust Funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 381,976	\$ -	\$ 381,976
Investments, at Fair Value:			
Mutual Funds	26,923,297	2,812,936	29,736,233
Total Assets	27,305,273	2,812,936	30,118,209
NET POSITION			
Restricted for Pension Benefits	\$ 27,305,273	\$ 2,812,936	\$ 30,118,209
	Pension Trust Funds		
	Retirement Pension Trust	Defined Contribution Trust	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 636,903	\$ 259,591	\$ 896,494
Plan Members	156,489	131,168	287,657
Total Contributions	793,392	390,759	1,184,151
Investment Earnings:			
Net Change in Fair Value of Investments	(4,063,169)	(593,014)	(4,656,183)
Total Investment Earnings	(4,063,169)	(593,014)	(4,656,183)
Total Additions	(3,269,777)	(202,255)	(3,472,032)
DEDUCTIONS			
Benefits	1,199,694	539,507	1,739,201
Administration	53,968		53,968
Total Deductions	1,253,662	539,507	1,793,169
CHANGE IN NET POSITION	(4,523,439)	(741,762)	(5,265,201)
Net Position - Beginning of Year	31,828,712	3,554,698	35,383,410
NET POSITION - END OF YEAR	\$ 27,305,273	\$ 2,812,936	\$ 30,118,209

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Connecticut State Teachers' Retirement System – Pension

A. 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.

B. 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 three 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.

C. 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.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Connecticut State Teachers' Retirement System – Pension (Continued)

C. Contributions (Continued)

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.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, 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		78,432,437
Total	\$	<u><u>78,432,437</u></u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2021. At June 30, 2022, the Town has a \$78,432,437 proportionate share of the net pension liability.

For the year ended June 30, 2022, the Town recognized pension expense and revenue of \$5,062,996 in Exhibit II.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Connecticut State Teachers' Retirement System – Pension (Continued)

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increase	3.00-6.50%, Including Inflation
Investment Rate of Return	6.90%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2020.

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%.

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%.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Connecticut State Teachers' Retirement System – Pension (Continued)

E. Actuarial Assumptions (Continued)

Long-Term Rate of Return

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:

Asset Class	Expected Return	Target Allocation
Domestic Equity Fund	5.60 %	20.00 %
Development Market Intl. Stock Fund	6.00	11.00
Emerging Markets Intl. Stock Fund	7.90	9.00
Core Fixed Income Fund	2.10	16.00
Inflation Linked Bond Fund	1.10	5.00
Emerging Market Debt Fund	2.70	5.00
High Yield Bond Fund	4.00	6.00
Real Estate Fund	4.50	10.00
Private Equity	7.30	10.00
Alternative Investments	2.90	7.00
Liquidity Fund	0.40	1.00
Total		100.00 %

F. 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.

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Connecticut State Teachers' Retirement System – Pension (Continued)

G. 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.

H. Other Information

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS

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.

A. Plan Description and Funding Policy

The Town provides postretirement 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, 2022. The postretirement 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, 2022, 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, 2022, the date of the last actuarial valuation:

Retired Members or Beneficiaries Currently Receiving Benefits	33
Active Members	<u>537</u>
Total	<u><u>570</u></u>

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Town OPEB Plan (Continued)

B. Total OPEB Liability

The Town's total OPEB liability of \$3,545,066 is measured as of June 30, 2022, as determined by an actuarial valuation as of July 1, 2020, which was projected forward to June 30, 2022. The Town has not accumulated any assets in a fiduciary trust for payment of benefits.

C. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Salary Increases	2.40%
Discount Rate	3.54%
Health Care Cost Trend Rates	Starts at 6.5% in 2020, Reduced 0.2% Per Year to an Ultimate Rate of 4.4% in 2031 and Beyond.
Mortality Rates	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with Separate Tables for General Employees, Public Safety and Teachers), Projected to the Valuation Date with Scale MP-2021.

The discount rate used to measure the total OPEB liability was 3.54% from the Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2022. 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.

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance - of July 1, 2021	\$ 4,033,419
Changes for the Year:	
Service Cost	83,531
Interest on Total OPEB Liability	86,764
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	(11,518)
Changes in Assumptions or Other Inputs	(445,853)
Benefit Payments	(201,277)
Net Changes	(488,353)
Balance - June 30, 2022	\$ 3,545,066

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Town OPEB Plan (Continued)

D. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the following:

Discount Rate	2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.
Inflation	2.60% as of June 30, 2021 to 2.40% as of June 30, 2022.
Mortality	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with Separate Tables for General Employees, Public Safety, and Teachers), Projected to the Valuation Date with Scale MP-2021.

E. 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 <u>2.54%</u>	Current Discount Rate <u>3.54%</u>	1% Increase in Discount Rate <u>4.54%</u>
Total OPEB Liability	\$ 3,860,937	\$ 3,545,066	\$ 3,263,403

F. 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 health care cost trend rate, as well as what the Town's total OPEB liability would be if it were calculated using the current health care cost trend rates that are 1-percentage-point lower (5.50% decreasing to 3.40%) or 1-percentage-point higher (7.50% decreasing to 5.40%) than the current health care cost trend rates:

	1% Decrease in Healthcare Cost Trend Rates <u>3.40%</u>	Current Healthcare Cost Trend Rates <u>5.50%</u>	1% Increase in Healthcare Cost Trend Rates <u>7.50%</u>
Total OPEB Liability	\$ 3,164,385	\$ 3,545,066	\$ 3,995,481

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Town OPEB Plan (Continued)

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$(289,772). At June 30, 2022, 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	\$ 1,175,588	\$ 3,839,231
Changes of Assumptions or Other Inputs	981,494	3,216,744
Total	\$ 2,157,082	\$ 7,055,975

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,	Amount
2023	\$ (428,363)
2024	(428,363)
2025	(428,363)
2026	(428,363)
2027	(428,363)
Thereafter	(2,757,078)
Total	\$ (4,898,893)

Connecticut State Teacher's Retirement Plan

A. 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 postemployment 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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Connecticut State Teacher's Retirement Plan (Continued)

B. 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.

C. 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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Connecticut State Teacher's Retirement Plan (Continued)

D. 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 five years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

E. 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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Connecticut State Teacher’s Retirement Plan (Continued)

E. Contributions (Continued)

Employer (School Districts)

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

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.

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

At June 30, 2022, 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		8,545,070
Total		\$ 8,545,070

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2021. At June 30, 2022, the Town has a \$8,545,070 proportionate share of the net OPEB liability.

For the year ended June 30, 2022, the Town recognized OPEB expense and revenue of \$(315,542) in Exhibit II.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Connecticut State Teacher's Retirement Plan (Continued)

G. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020.

Long-Term Rate of Return

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 (0.42%).

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Connecticut State Teacher’s Retirement Plan (Continued)

H. Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%; 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. Annual state contributions were assumed to be equal to the most recent five-year average of state contributions to the fund. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be depleted in 2022 and, as a result, the Municipal Bond Index Rate was used in the determination.

I. 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.

J. 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.

NOTE 13 PRIOR PERIOD ADJUSTEMENT AND RESTATEMENTS

The fund balance of general fund and net position of governmental activities and business type activities were restated as follows:

	General Fund
Fund Balance:	
Balance as previously reported June 30, 2021	\$ 12,062,475
Adjustments:	
Performance bonds liability reported as fund balance	(469,370)
Balance as restated July 1, 2021	\$ 11,593,105

**TOWN OF EAST LYME, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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NOTE 13 PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS (CONTINUED)

	Governmental Activities	Business-Type Activities Enterprise Fund
Net Position:		
Balance as previously reported June 30, 2021	\$ 73,493,672	\$ 42,493,211
Adjustments:		
Performance bonds liability reported as fund balance	(469,370)	-
Overstatement of accumulated depreciation of capital assets	14,765,225	-
Allocation of net OPEB liability to business type activities	149,237	(149,237)
Allocation of deferred outflows related to OPEB to business type activities	(88,461)	88,461
Allocation of deferred inflows related to OPEB to business type activities	268,646	(268,646)
Allocation of net pension asset to business type activities	(36,200)	36,200
Allocation of deferred outflows related to pension to business type activities	(21,782)	21,782
Allocation of deferred inflows related to pension to business type activities	206,854	(206,854)
Understatement of deferred charge on refunding	689,651	-
Overstatement of premium on bonds	284,371	-
Overstatement of long term debt outstanding	1,375,000	-
Balance as restated July 1, 2021	\$ 90,616,843	\$ 42,014,917

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REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BUDGETARY BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 64,482,385	\$ 64,482,385	\$ 66,437,395	\$ 1,955,010
Intergovernmental Revenues	8,167,123	8,167,123	8,725,781	558,658
Charges for Services	4,661,517	4,661,517	6,282,656	1,621,139
Investment Income	-	-	34,026	34,026
Other	-	-	1,795	1,795
Total Revenues	<u>77,311,025</u>	<u>77,311,025</u>	<u>81,479,858</u>	<u>4,168,833</u>
EXPENDITURES				
Current:				
General Government	8,344,958	8,344,958	7,885,218	459,740
Public Safety	5,097,691	5,097,691	5,231,469	(133,778)
Public Works	3,733,968	3,733,968	4,064,621	(330,653)
Health and Welfare	271,800	271,800	252,944	18,856
Culture and Recreation	1,917,327	1,917,327	1,914,740	2,587
Education	52,209,464	52,209,464	52,014,299	195,165
Debt Service:				
Principal Retirement	3,534,892	3,534,892	3,694,892	(160,000)
Interest and Other Charges	2,186,101	2,186,101	1,960,196	225,905
Capital Outlay	683,113	683,113	562,748	120,365
Total Expenditures	<u>77,979,314</u>	<u>77,979,314</u>	<u>77,581,127</u>	<u>398,187</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(668,289)	(668,289)	3,898,731	4,567,020
OTHER FINANCING SOURCES (USES)				
Appropriation of Fund Balance	307,919	-	-	-
Transfers In	335,836	335,836	335,036	(800)
Transfers Out	(15,466)	(15,466)	(153,346)	(137,880)
Total Other Financing Sources (Uses)	<u>628,289</u>	<u>320,370</u>	<u>181,690</u>	<u>(138,680)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (40,000)</u>	<u>\$ (347,919)</u>	<u>\$ 4,080,421</u>	<u>\$ 4,428,340</u>
Budget to GAAP Reconciliation:				
	Revenues and Other Financing Sources	Expenditures and Other Financing Uses		
Balance - Budgetary Basis	\$ 81,814,894	\$ 77,734,473		
Impact of GASB 54 Compliance	1,844,864	1,595,873		
Change in Encumbrances		168,164		
State Teachers' Retirement:				
OPEB Expense (Revenue)	154,545	154,545		
Pension Expense	6,567,463	6,567,463		
BALANCE - GAAP BASIS	<u>\$ 90,381,766</u>	<u>\$ 86,220,518</u>		

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PENSION PLAN
LAST NINE FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service Cost	\$ 535,796	\$ 669,485	\$ 662,172	\$ 680,281	\$ 707,948	\$ 665,420	\$ 619,574	\$ 620,611	\$ 607,102
Interest on Total Pension Liability	2,001,722	2,220,915	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	(1,168,903)	(161,569)	(418,655)	(315,256)	(95,617)	272,190	(651,845)	(256,503)	-
Changes of Assumptions	-	(2,371,873)	(862,638)	992,314	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(1,199,694)	(1,110,211)	(846,569)	(820,928)	(689,013)	(513,255)	(409,749)	(270,218)	(254,567)
Net Change in Total Pension Liability	168,921	(753,253)	713,817	2,540,250	1,807,134	2,160,038	1,209,360	1,635,649	1,869,400
Total Pension Liability - Beginning	30,850,331	31,603,584	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	31,019,252	30,850,331	31,603,584	30,889,767	28,349,517	26,542,383	24,382,345	23,172,985	21,537,336
Plan Fiduciary Net Position:									
Contributions - Employer	636,903	1,280,172	1,428,532	1,094,494	1,125,805	1,023,637	926,720	1,076,823	1,031,092
Contributions - Members	156,489	154,688	157,729	141,872	147,853	140,290	132,826	172,854	133,430
Net Investment Income	(4,063,169)	5,673,643	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	(1,199,694)	(1,110,211)	(846,569)	(820,928)	(689,013)	(513,255)	(409,749)	(270,218)	(254,567)
Administrative Expense	(53,968)	(40,550)	(19,500)	(28,300)	(38,800)	(26,550)	(13,850)	(39,500)	(2,900)
Other	-	-	-	-	-	-	(517,746)	-	-
Net Change In Plan Fiduciary Net Position	(4,523,439)	5,957,742	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	31,828,712	25,870,970	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	27,305,273	31,828,712	25,870,970	24,614,007	22,682,309	20,732,706	17,806,750	17,725,532	16,565,224
Net Pension Liability (Asset) - Ending	\$ 3,713,979	\$ (978,381)	\$ 5,732,614	\$ 6,275,760	\$ 5,667,208	\$ 5,809,677	\$ 6,575,595	\$ 5,447,453	\$ 4,972,112
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.03%	103.17%	81.86%	79.68%	80.01%	78.11%	73.03%	76.49%	76.91%
Covered Payroll	\$ 9,391,728	\$ 8,867,209	\$ 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	39.55%	-11.03%	67.09%	76.99%	61.87%	63.33%	77.14%	63.54%	58.09%

* This schedule is intended to show information for 10 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*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution*	\$ 969,999	\$ 1,401,531	\$ 1,401,531	\$ 1,276,988	\$ 1,110,149	\$ 1,074,721	\$ 938,749	\$ 1,076,823	\$ 1,050,824	\$ 953,049
Contributions in Relation to the Actuarially Determined Contribution	636,903	(1,280,172)	(1,280,172)	1,094,494	1,125,805	1,023,637	926,720	1,076,823	1,031,092	953,049
Contribution Deficiency (Excess)	<u>\$ 333,096</u>	<u>\$ 2,681,703</u>	<u>\$ 2,681,703</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>
Covered Payroll	\$ 9,391,728	\$ 8,867,209	\$ 8,545,049	\$ 8,151,781	\$ 9,159,153	\$ 9,173,650	\$ 8,524,401	\$ 8,573,798	\$ 8,559,474	\$ 8,484,665
Contributions as a Percentage of Covered Payroll	6.78%	-14.44%	-14.98%	13.43%	12.29%	11.16%	10.87%	12.56%	12.05%	11.23%

Notes to Schedule:

Valuation Date: January 1, 2022

Measurement Date: June 30, 2022

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 20-year period, gains and losses over a five-year period, and assumption/method changes over a 10-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: 6.50%

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-2021 for all.

Mortality (Disabled Participants): SOA PUBS.H-2010 for fire, police - SOA PUBG.H-2010 for all others. Scale MP-2021 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 NINE FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<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	-12.84%	21.87%	2.17%	6.75%	6.74%	12.70%	-0.21%	1.30%	14.90%

* This schedule is intended to show information for 10 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 EIGHT FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<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%	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>78,432,437</u>	<u>99,029,795</u>	<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>\$ 78,432,437</u>	<u>\$ 99,029,795</u>	<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	\$ 22,061,415	\$ 21,059,881	\$ 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%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule:

Changes in Benefit Terms	None
Changes of Assumptions	None
Actuarial Cost Method	Entry age
Amortization Method	Level Percent of Pay, Closed, Grading to a Level Dollar Amortization Method for the June 30, 2024 Valuation.
Single Equivalent Amortization Period	30 years
Asset Valuation Method	4-Year Smoothed Market
Inflation	2.50%
Salary Increase	3.25%-6.50%, Including Inflation
Investment Rate of Return	6.90%, Net of Investment-Related Expense

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OPEB PLAN
LAST FIVE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:					
Service Cost	\$ 83,531	\$ 232,786	\$ 171,714	\$ 275,567	\$ 266,546
Interest	86,764	212,810	286,353	327,749	307,734
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(11,518)	(4,319,825)	(179,057)	1,709,948	(13,313)
Changes of Assumptions and Other Inputs	(445,853)	(1,409,998)	1,281,953	(2,126,250)	(268,150)
Benefit Payments	<u>(201,277)</u>	<u>(157,052)</u>	<u>(144,296)</u>	<u>(638,756)</u>	<u>(222,902)</u>
Net Change in Total OPEB Liability	(488,353)	(5,441,279)	1,416,667	(451,742)	69,915
Total OPEB Liability - Beginning	<u>4,033,419</u>	<u>9,474,698</u>	<u>8,058,031</u>	<u>8,509,773</u>	<u>8,439,858</u>
Total OPEB Liability - Ending	<u>\$ 3,545,066</u>	<u>\$ 4,033,419</u>	<u>\$ 9,474,698</u>	<u>\$ 8,058,031</u>	<u>\$ 8,509,773</u>
Covered-Employee Payroll	\$ 36,371,621	\$ 35,519,161	\$ 34,215,844	N/A	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.75%	11.36%	27.69%	N/A	N/A

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Changes of Assumptions

The trend rates were updated to better reflect anticipated future experience.
The discount rate was increased from 2.21% to 3.54%.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's Proportion of the Net OPEB Liability	0.00%	0.00%	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>8,545,070</u>	<u>14,770,298</u>	<u>13,858,875</u>	<u>13,697,495</u>	<u>17,971,073</u>
Total	<u>\$ 8,545,070</u>	<u>\$ 14,770,298</u>	<u>\$ 13,858,875</u>	<u>\$ 13,697,495</u>	<u>\$ 17,971,073</u>
Town's Covered Payroll	\$ 22,061,415	\$ 21,059,881	\$ 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%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.10%	2.50%	2.08%	1.49%	1.79%

Notes to Schedule:

<p>Changes in Benefit Terms</p> <p>Changes of Assumptions</p>	<p>None</p> <p>Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2021 was updated to equal the SEIR of 2.17% as of June 30, 2021; and</p> <p>Expected annual per capita claims costs were updated to reflect anticipated medical and prescription drug claim experience based on scheduled premium increases through calendar year 2024.</p>
<p>Actuarial Cost Method</p> <p>Amortization Method</p> <p>Remaining Amortization Period</p> <p>Asset Valuation Method</p> <p>Investment Rate of Return</p> <p>Price Inflation</p>	<p>Entry Age</p> <p>Level Percent of Payroll Over an Open Period</p> <p>30-Years</p> <p>Market Value of Assets</p> <p>3.00%, Net of Investment-Related Expense Including Price Inflation</p> <p>2.75%</p>

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

** The measurement date is one year earlier than the employer's reporting date

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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
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes:				
Current Taxes	\$ 63,729,685	\$ 63,729,685	\$ 64,302,486	\$ 572,801
Prior Taxes	450,000	450,000	1,296,145	846,145
Interest, Lien Fees, and Other	302,700	302,700	838,764	536,064
Total Property Taxes	64,482,385	64,482,385	66,437,395	1,955,010
Intergovernmental:				
Education Cost-Sharing	5,857,856	5,857,856	6,081,722	223,866
State Grant - DUI	10,000	10,000	-	(10,000)
Town Aid Road	338,656	338,656	337,458	(1,198)
PILOT - State Owned Property	-	-	-	-
Pequot Fund	270,204	270,204	270,204	-
PILOT: Tiered Reimbursement - NEW FY22	1,031,375	1,031,375	1,031,375	-
Tax Relief for Disabled	1,400	1,400	1,467	67
Civil Preparedness Grant	54,233	54,233	52,130	(2,103)
Tax Relief - Telephone Taxes	42,000	42,000	37,633	(4,367)
Locip	-	-	-	-
Youth Service Bureau	24,802	24,802	31,153	6,351
PILOT - Hospitals and Colleges	-	-	-	-
Municipal Stabilization Grant	524,097	524,097	524,097	-
Tax Relief for Veterans	12,500	12,500	8,981	(3,519)
Nuclear Safety Emergency Prep	-	-	64,021	64,021
Other Grants	-	-	285,540	285,540
Total Intergovernmental	8,167,123	8,167,123	8,725,781	558,658
Charges for Services:				
Licenses and Permits:				
Building Permits	427,500	427,500	551,230	123,730
Pistol, Fire, and Lodging	11,345	11,345	14,190	2,845
Beach and Recreation Town Funds	-	-	-	-
ZBA and Planning Commission	5,290	5,290	6,843	1,553
Conveyance Tax	275,000	275,000	888,375	613,375
Dog Licenses	-	-	11,731	11,731
Town Clerk Fees	138,000	138,000	185,199	47,199
Zoning Fees	25,000	25,000	36,681	11,681
Solid Waste License	500	500	300	(200)
Shellfish Permits	500	500	320	(180)
Mooring Permit Fees	7,000	7,000	8,320	1,320
TC Fish and Game Fees	200	200	147	(53)
Wetland Fees	6,550	6,550	15,238	8,688
Park Vendors	1,000	1,000	5,550	4,550
P & R Athletic Lights	2,000	2,000	-	(2,000)
Total Licenses and Permits	899,885	899,885	1,724,124	824,239

TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (CONTINUED)				
Charges for Services (Continued):				
Fine and Forfeits:				
Parking Fees	\$ 7,306	\$ 7,306	\$ 4,513	\$ (2,793)
Extra Duty - Police and Fire	48,000	48,000	171,519	123,519
Total Fine and Forfeits	<u>55,306</u>	<u>55,306</u>	<u>176,032</u>	<u>120,726</u>
Charges for Services:				
MSW Container	7,500	7,500	12,570	5,070
Tuition - Other District	2,915,920	2,915,920	3,090,854	174,934
Tipping Fees - Commercial	205,000	205,000	201,351	(3,649)
Recycling - Other	45,000	45,000	66,548	21,548
Miscellaneous Other	1,500	1,500	2,308	808
BOE Miscellaneous	500	500	19,312	18,812
Rent - Cini Park	16,000	16,000	16,527	527
Selectman's Office	25	25	-	(25)
Assessor	500	500	471	(29)
Landfill Deposits	195,000	195,000	191,304	(3,696)
Police	1,800	1,800	1,832	32
Commission on Aging - Program	1,500	1,500	2,384	884
Financial Department	79,500	79,500	84,455	4,955
Miscellaneous Fire Marshall	1,000	1,000	845	(155)
Insurance Rebate	27,500	27,500	66,305	38,805
Dog Revenue	47,981	47,981	64,833	16,852
Tax Collector	100	100	328	228
EI Ambulance Subsidy FF	160,000	160,000	170,829	10,829
Water and Sewer Services	-	-	389,444	389,444
Total Charges for Services	<u>3,706,326</u>	<u>3,706,326</u>	<u>4,382,500</u>	<u>676,174</u>
Total Charges for Services	4,661,517	4,661,517	6,282,656	1,621,139
Investment Income:				
Interest on Deposits	-	-	34,026	34,026
Other:				
Miscellaneous Income	-	-	1,795	1,795
Total Revenues	<u>77,311,025</u>	<u>77,311,025</u>	<u>81,481,653</u>	<u>4,170,628</u>
OTHER FINANCING SOURCES				
Appropriation of Fund Balance	307,919	-	-	-
Transfers In:				
Capital Projects	317,836	317,836	317,836	-
Regional Probate	8,000	8,000	7,200	(800)
Park and Rec	10,000	10,000	10,000	-
Total Other Financing Sources	<u>643,755</u>	<u>335,836</u>	<u>335,036</u>	<u>(800)</u>
Total Revenues and Other Financing Sources	<u>\$ 77,954,780</u>	<u>\$ 77,646,861</u>	<u>\$ 81,816,689</u>	<u>\$ 4,169,828</u>

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Government:				
First Selectman	\$ 198,806	\$ 198,806	\$ 203,188	\$ (4,382)
Assessor's Office	221,246	221,246	223,337	(2,091)
Tax Collector	194,353	194,353	185,612	8,741
Building Official	231,511	231,511	244,770	(13,259)
Town Engineer	240,414	240,414	215,115	25,299
Human Resources	56,184	56,184	69,874	(13,690)
Town Clerk	152,975	152,975	146,148	6,827
Health Department	140,127	140,127	140,127	-
Information Technology	314,294	314,294	270,115	44,179
Registrars	101,700	101,700	94,896	6,804
Maintenance of Town Buildings	782,376	782,376	783,417	(1,041)
General Government and Benefits	4,880,739	4,880,739	4,586,758	293,981
Community Services	26,601	26,601	26,601	-
Zoning Commission	109,117	109,117	109,804	(687)
Planning Department	80,325	80,325	79,574	751
Finance Department	274,228	274,228	276,539	(2,311)
Contingency Funds	211,480	211,480	143,375	68,105
Board of Finance	41,570	41,570	38,379	3,191
Board of Assessment Appeals	8,700	8,700	1,953	6,747
Zoning Board of Appeals	780	780	569	211
Inland Wetlands Agency	39,494	39,494	23,550	15,944
Waterford / East Lyme Shellfish Commission	3,500	3,500	3,500	-
Brookside Farm Museum Commission	15,320	15,320	4,967	10,353
Town Building Committee	1,150	1,150	927	223
Harbor Management Commission	6,650	6,650	3,018	3,632
Conservation of Natural Resources Commission	1,050	1,050	943	107
Historic Properties Commission	10,268	10,268	8,162	2,106
Total General Government	8,344,958	8,344,958	7,885,218	459,740
Public Safety:				
Emergency Management	138,218	138,218	144,631	(6,413)
Dispatch	536,546	536,546	533,588	2,958
Police Department	2,896,130	2,896,130	3,030,755	(134,625)
Niantic Fire Department	703,168	703,168	754,321	(51,153)
Flanders Fire Department	559,267	559,267	520,851	38,416
Emergency Management	165,607	165,607	160,390	5,217
Animal Control	98,755	98,755	86,933	11,822
Total Public Safety	5,097,691	5,097,691	5,231,469	(133,778)
Public Works:				
Highway and Sanitation	3,733,968	3,733,968	4,064,621	(330,653)

**TOWN OF EAST LYME, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2022**

EXPENDITURES (CONTINUED)	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Health and Welfare:				
Commission on Aging	\$ 262,050	\$ 262,050	\$ 251,369	\$ 10,681
Community Services	9,750	9,750	1,575	8,175
Total Health and Welfare	271,800	271,800	252,944	18,856
Culture and Recreation:				
Culture and Recreation	1,155,188	1,155,188	1,153,726	1,462
Parks and Recreation	762,139	762,139	761,014	1,125
Total Culture and Recreation	1,917,327	1,917,327	1,914,740	2,587
Board of Education	52,209,464	52,209,464	52,014,299	195,165
Debt Service:				
Redemption of Debt - Principal	3,534,892	3,534,892	3,694,892	(160,000)
Interest Payments	2,186,101	2,186,101	1,960,196	225,905
Total Debt Service	5,720,993	5,720,993	5,655,088	65,905
Capital Outlay:				
Town - Capital Improvement Plan	683,113	683,113	472,515	210,598
Other	-	-	90,233	(90,233)
Total Capital Outlay	683,113	683,113	562,748	120,365
Total Expenditures	77,979,314	77,979,314	77,581,127	398,187
OTHER FINANCING USES				
Transfers Out:				
Regional Probate District 32	15,466	15,466	15,466	-
CNRE	-	-	137,880	(137,880)
Health Insurance Fund	-	-	-	-
Total Other Financing Uses	15,466	15,466	153,346	(137,880)
Total Expenditures and Other Financing Uses	\$ 77,994,780	\$ 77,994,780	\$ 77,734,473	\$ 260,307

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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.

American Rescue Fund – is used to account for American Rescue Plan receipts and related expenditures.

Pool Fund – is used to account for activity for the pool managed by third party.

Student Activity Fund – is used to receive student funds and promote the educational and student activities of students.

Permanent Funds

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

McCook Point Memorial Fund – is used to account for a donation to support Town projects.

**TOWN OF EAST LYME, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022**

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	Special Revenue Funds							Permanent Fund	Total
	School Lunch Fund	Special Education Grants Fund	Historic Preservation Fund	Water Fund	American Rescue Fund	Pool Fund	Student Activity Fund	McCook Point Memorial Fund	
ASSETS									
Cash and Cash Equivalents	\$ 543,600	\$ 62,284	\$ -	\$ 2,090,652	\$ -	\$ 5,393	549,322	\$ 534	\$ 3,251,785
Receivables, Net:									
Assessments and User Charges	-	-	-	1,075,294	-	-	-	-	1,075,294
Intergovernmental	340,796	2,470	-	-	-	-	-	-	343,266
Other Receivables	-	-	-	-	-	11,632	-	-	11,632
Due from Other Funds	-	70,702	45,992	28,387	1,310,951	-	-	-	1,456,032
Inventory	11,546	-	-	47,600	-	-	-	-	59,146
Total Assets	\$ 895,942	\$ 135,456	\$ 45,992	\$ 3,241,933	\$ 1,310,951	\$ 17,025	\$ 549,322	\$ 534	\$ 6,197,155
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
LIABILITIES									
Accounts Payable	\$ -	\$ 25,669	\$ -	\$ 92,582	\$ 351,917	\$ -	\$ -	\$ -	\$ 470,168
Accrued Payroll and Other Liabilities	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	12,328	-	767,506	40,104	-	-	-	819,938
Unearned Revenue	-	97,531	-	-	918,930	-	-	-	1,016,461
Advances from Other Funds	-	-	-	42,337	-	-	-	-	42,337
Total Liabilities	-	135,528	-	902,425	1,310,951	-	-	-	2,348,904
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Assessments	-	-	-	765,608	-	-	-	-	765,608
FUND BALANCES									
Nonspendable	11,546	-	-	47,600	-	-	-	534	59,680
Restricted	884,396	-	45,992	-	-	-	-	-	930,388
Committed	-	-	-	1,526,300	-	17,025	549,322	-	2,092,647
Unassigned	-	(72)	-	-	-	-	-	-	(72)
Total Fund Balances	895,942	(72)	45,992	1,573,900	-	17,025	549,322	534	3,082,643
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 895,942	\$ 135,456	\$ 45,992	\$ 3,241,933	\$ 1,310,951	\$ 17,025	\$ 549,322	\$ 534	\$ 6,197,155

**TOWN OF EAST LYME, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds							Permanent Fund	Total
	School Lunch Fund	Special Education Grants Fund	Historic Preservation Fund	Water Fund	American Rescue Fund	Pool Fund	Student Activity Fund	McCook Point Memorial Fund	
REVENUES									
Intergovernmental Revenues	\$ 2,019,205	\$ 2,248,837	\$ 5,500	\$ -	\$ 1,812,990	\$ -	\$ -	\$ -	\$ 6,086,532
Charges for Services	67,809	-	13,631	3,423,970	-	127,297	704,556	-	4,337,263
Other	-	-	-	2,035	-	-	-	-	2,035
Total Revenues	<u>2,087,014</u>	<u>2,248,837</u>	<u>19,131</u>	<u>3,426,005</u>	<u>1,812,990</u>	<u>127,297</u>	<u>704,556</u>	<u>-</u>	<u>10,425,830</u>
EXPENDITURES									
Current:									
Public Works	-	-	-	2,590,571	1,403,242	-	-	-	3,993,813
Parks and Recreation	-	-	7,607	-	-	-	-	-	7,607
Education	1,501,044	2,218,175	-	-	-	137,936	632,028	-	4,489,183
Debt Service:									
Principal Retirement	-	-	-	253,002	-	-	-	-	253,002
Interest and Other Charges	-	-	-	141,760	-	-	-	-	141,760
Capital Outlay	-	-	-	228,139	409,748	-	-	-	637,887
Total Expenditures	<u>1,501,044</u>	<u>2,218,175</u>	<u>7,607</u>	<u>3,213,472</u>	<u>1,812,990</u>	<u>137,936</u>	<u>632,028</u>	<u>-</u>	<u>9,523,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	585,970	30,662	11,524	212,533	-	(10,639)	72,528	-	902,578
OTHER FINANCING SOURCES (USES)									
Transfers Out	-	-	-	(133,794)	-	-	-	-	(133,794)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,794)</u>
NET CHANGE IN FUND BALANCES	585,970	30,662	11,524	78,739	-	(10,639)	72,528	-	768,784
Fund Balances - Beginning of Year	309,972	(30,734)	34,468	1,495,161	-	27,664	476,794	534	2,313,859
FUND BALANCES - END OF YEAR	<u>\$ 895,942</u>	<u>\$ (72)</u>	<u>\$ 45,992</u>	<u>\$ 1,573,900</u>	<u>\$ -</u>	<u>\$ 17,025</u>	<u>\$ 549,322</u>	<u>\$ 534</u>	<u>\$ 3,082,643</u>

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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.

TOWN OF EAST LYME, CONNECTICUT
COMBINING STATEMENT OF NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2022

	<u>N. Parahus Senior Citizens Fund</u>	<u>Clarence A. Haynes Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	<u>\$ 95,844</u>	<u>\$ 3,126</u>	<u>\$ 98,970</u>
NET POSITION			
Restricted for Individuals and Organizations	<u>\$ 95,844</u>	<u>\$ 3,126</u>	<u>\$ 98,970</u>

**TOWN OF EAST LYME, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
YEAR ENDED JUNE 30, 2022**

	N. Parahus Senior Citizens Fund	Clarence A. Haynes Fund	Total
ADDITIONS			
Contributions:			
Private Contributions	\$ 825	\$ -	\$ 825
Total Contributions	<u>825</u>	<u>-</u>	<u>825</u>
Investment Earnings:			
Interest	132	2	134
Total Investment Earnings	<u>132</u>	<u>2</u>	<u>134</u>
Total Additions	<u>957</u>	<u>2</u>	<u>959</u>
DEDUCTIONS			
Administration	9,902		9,902
Total Deductions	<u>9,902</u>	<u>-</u>	<u>9,902</u>
CHANGE IN NET POSITION	(8,945)	2	(8,943)
Net Position - Beginning of Year	<u>104,789</u>	<u>3,124</u>	<u>107,913</u>
NET POSITION - END OF YEAR	<u>\$ 95,844</u>	<u>\$ 3,126</u>	<u>\$ 98,970</u>

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OTHER SCHEDULES

TOWN OF EAST LYME, CONNECTICUT PROPERTY TAXES LEVIED, COLLECTED, AND OUTSTANDING YEAR ENDED JUNE 30, 2022

Grand List of October 1,	Uncollected Taxes June 30, 2021	Current Levy	Lawful Corrections		Transfers to Suspense	Adjusted Tax Levy	Collections			Uncollected Taxes June 30, 2022
			Additions	Deletions			Taxes	Interest Liens and Other Fees	Total	
2006	6,126	-	-	-	-	6,126	-	6,000	6,000	6,126
2007	9,315	-	-	-	-	9,315	2,873	8,229	11,102	6,442
2008	12,779	-	-	-	-	12,779	5,969	14,967	20,936	6,810
2009	23,617	-	-	-	-	23,617	8,902	18,547	27,449	14,715
2010	53,143	-	-	-	25,741	27,402	13,505	21,146	34,651	13,897
2011	49,585	-	-	-	10,001	39,584	19,567	32,722	52,289	20,017
2012	66,954	-	-	-	15,018	51,936	33,945	48,321	82,266	17,991
2013	83,711	-	-	-	23,299	60,412	40,624	50,856	91,480	19,788
2014	107,502	-	-	-	27,641	79,861	59,980	63,465	123,445	19,881
2015	135,899	-	-	-	30,257	105,642	84,441	75,733	160,174	21,201
2016	157,777	-	-	-	34,527	123,250	101,482	80,719	182,201	21,768
2017	209,588	-	-	-	43,705	165,883	142,214	79,719	221,933	23,669
2018	316,907	-	780	342	56,975	260,370	220,265	89,007	309,272	40,105
2019	718,071	-	11,774	7,177	17,496	705,172	541,505	117,547	659,052	163,667
Total Prior Years	1,950,974	-	12,554	7,519	284,660	1,671,349	1,275,272	706,978	1,982,250	396,077
2020	-	65,128,022	26,699	318,865	-	64,835,856	64,250,433	200,882	64,452,651	585,423
Total All Years	\$ 1,950,974	\$ 65,128,022	\$ 39,253	\$ 326,384	\$ 284,660	\$ 66,507,205	\$ 65,525,705	\$ 907,860	\$ 66,434,901	\$ 981,500

**TOWN OF EAST LYME, CONNECTICUT
STATEMENT OF DEBT LIMITATION
YEAR ENDED JUNE 30, 2022**

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EXHIBIT E

Total Tax Collections, (Including Interest and Lien Fees)
for the Prior Fiscal Year Ended June 30, 2021

\$ 63,316,124

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit	Total
Debt Limitation:						
2.25 Times Base	\$ 142,461,279	\$ -	\$ -	\$ -	\$ -	\$ 142,461,279
4.50 Times Base	-	284,922,558	-	-	-	284,922,558
3.75 Times Base	-	-	237,435,465	-	-	237,435,465
3.25 Times Base	-	-	-	205,777,403	-	205,777,403
3 Times Base	-	-	-	-	189,948,372	189,948,372
7 Times Base	-	-	-	-	-	443,212,868
Total Debt Limitation	142,461,279	284,922,558	237,435,465	205,777,403	189,948,372	1,060,545,077
Indebtedness:						
Bonds and Notes Payable	23,329,000	36,482,000	1,474,000	-	-	61,285,000
Bonds Anticipation Notes (Short-Term)	3,922,000	-	-	-	-	3,922,000
Financed Purchases	3,022,104	-	-	-	-	3,022,104
Bonds Authorized and Unissued	1,627,996	466,196	-	-	-	2,094,192
Total Indebtedness	31,901,100	36,948,196	1,474,000	-	-	70,323,296
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ 110,560,179	\$ 247,974,362	\$ 235,961,465	\$ 205,777,403	\$ 189,948,372	\$ 990,221,781

Notes:

1. In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$ 443,212,868
2. There is no overlapping debt for the Town of East Lyme
3. Water related debt has been excluded from the calculation. \$ 2,700,000

**TOWN OF EAST LYME, CONNECTICUT
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2022**

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	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Performance Bonds Fund	Eliminate Interfund Receivables	Totals
ASSETS							
Cash and Cash Equivalents	\$ 13,856,363	\$ 385,346	\$ -	\$ -	\$ 721,910	\$ -	\$ 14,963,619
Receivables:							
Property Taxes Receivable, Net	1,596,137	-	-	-	-	-	1,596,137
Assessment and User Charges	51,264	-	-	-	-	-	51,264
Intergovernmental	980	-	-	-	-	-	980
Other Receivables	650,253	-	-	-	-	-	650,253
Due from Other Funds	3,722,365	-	74,043	176,889	-	(250,932)	3,722,365
Total Assets	\$ 19,877,362	\$ 385,346	\$ 74,043	\$ 176,889	\$ 721,910	\$ (250,932)	\$ 20,984,618
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable and Accruals	\$ 1,145,534	\$ -	\$ 2,613	\$ 64,890	\$ 469,370	\$ -	\$ 1,682,407
Due to Other Funds	1,791,329	-	36,728	3,347	247,556	(250,932)	1,828,028
Unearned Revenue	210,872	-	-	-	-	-	210,872
Total Liabilities	3,147,735	-	39,341	68,237	716,926	(250,932)	3,721,307
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	1,503,005	-	-	-	-	-	1,503,005
Unavailable Revenue - Property Taxes	4,083	-	-	-	-	-	4,083
Unavailable Revenue	75	-	-	-	-	-	75
Total Deferred Inflows of Resources	1,507,163	-	-	-	-	-	1,507,163
FUND BALANCES							
Committed		385,346	34,702	108,652	4,984	-	533,684
Assigned	2,014,905	-	-	-	-	-	2,014,905
Unassigned	13,207,559	-	-	-	-	-	13,207,559
Total Fund Balances	15,222,464	385,346	34,702	108,652	4,984	-	15,756,148
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,877,362	\$ 385,346	\$ 74,043	\$ 176,889	\$ 721,910	\$ (250,932)	\$ 20,984,618

**TOWN OF EAST LYME, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	General Fund	Board of Education Special Fund	Regional Probate District 32	Parks and Recreation Fund	Performance Bonds Fund	Eliminate Interfund Transfers	Totals
REVENUES							
Property Taxes, Interest, and Lien Fees	\$ 66,437,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,437,395
Intergovernmental Revenues	15,447,789	-	-	-	-	-	15,447,789
Charges for Services	6,282,656	1,071,247	25,312	754,420	-	-	8,133,635
Investment Income	34,026	-	-	-	85	-	34,111
Other	1,795	-	-	-	11,000	-	12,795
Total Revenues	<u>88,203,661</u>	<u>1,071,247</u>	<u>25,312</u>	<u>754,420</u>	<u>11,085</u>	<u>-</u>	<u>90,065,725</u>
EXPENDITURES							
Current:							
General Government	7,971,094	-	31,246	-	-	-	8,002,340
Public Safety	5,231,469	-	-	-	-	-	5,231,469
Public Works	4,064,621	-	-	-	-	-	4,064,621
Health and Welfare	252,944	-	-	-	6,101	-	259,045
Culture and Recreation	1,914,740	-	-	714,077	-	-	2,628,817
Education	58,818,595	859,915	-	-	-	-	59,678,510
Debt Service:							
Principal Retirement	3,694,892	-	-	-	-	-	3,694,892
Interest and Other Charges	1,960,196	-	-	-	-	-	1,960,196
Capital Outlay	562,748	-	-	-	-	-	562,748
Total Expenditures	<u>84,471,299</u>	<u>859,915</u>	<u>31,246</u>	<u>714,077</u>	<u>6,101</u>	<u>-</u>	<u>86,082,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,732,362	211,332	(5,934)	40,343	4,984	-	3,983,087
OTHER FINANCING SOURCES (USES)							
Transfers In	335,036	-	15,466	-	-	(32,666)	317,836
Transfers Out to Other Funds	(153,346)	-	(7,200)	(10,000)	-	32,666	(137,880)
Total Other Financing (Uses)	<u>181,690</u>	<u>-</u>	<u>8,266</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>179,956</u>
NET CHANGE IN FUND BALANCES	3,914,052	211,332	2,332	30,343	4,984	-	4,163,043
Fund Balances - Beginning of Year, as Restated	11,308,412	174,014	32,370	78,309	-	-	11,593,105
FUND BALANCES - END OF YEAR	<u>\$ 15,222,464</u>	<u>\$ 385,346</u>	<u>\$ 34,702</u>	<u>\$ 108,652</u>	<u>\$ 4,984</u>	<u>\$ -</u>	<u>\$ 15,756,148</u>