

**Annual Financial Report**  
**of the**  
**Town of Old Lyme, Connecticut**  
**Year Ended June 30, 2013**

# Town of Old Lyme, Connecticut

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Town of Old Lyme, Connecticut

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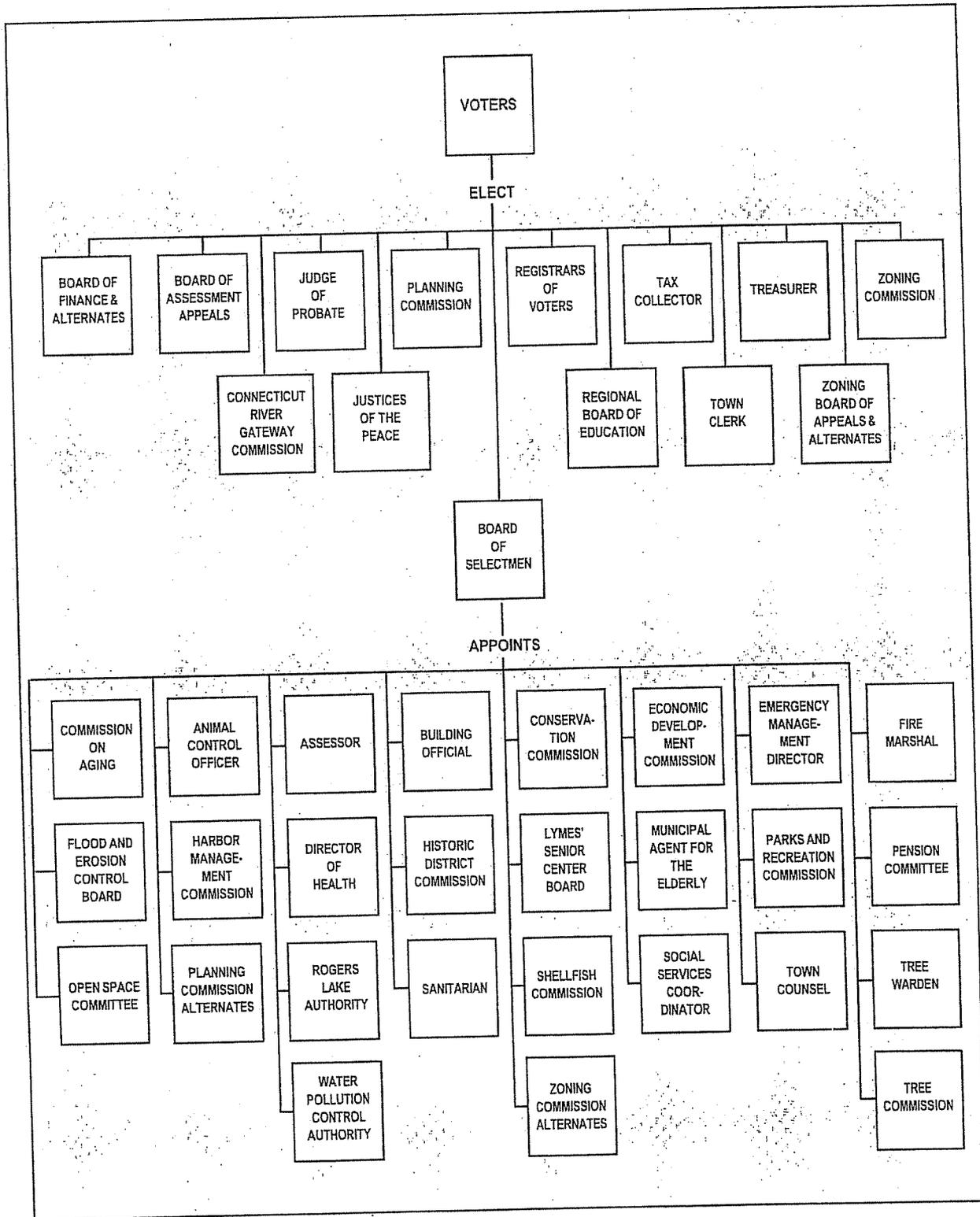
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# Introductory Section

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# Town of Old Lyme, Connecticut

## ORGANIZATION CHART



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**Financial  
Section**

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Independent Auditor's Report

To the Board of Finance  
Town of Old Lyme  
Old Lyme, Connecticut

Report on the Financial Statements

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

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Lyme, Connecticut, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Lyme, Connecticut's basic financial statements. The introductory section, supplemental schedules and trend information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is also not a required part of the basic financial statements.

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

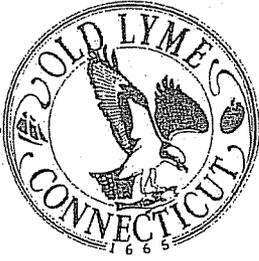
The introductory and trend information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of the Town of Old Lyme, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Old Lyme, Connecticut's internal control over financial reporting and compliance.

*CohnReznick LLP*

New London, Connecticut  
December 10, 2013



# TOWN OF OLD LYME

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## Management's Discussion and Analysis Year Ended June 30, 2013

Management of the Town of Old Lyme offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2013 fiscal year by \$21,733,843. Of this amount, \$7,070,073 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,732,053. The most significant reasons for the increase were the substantial additions to capital assets in excess of depreciation expense and positive general fund operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,038,733, a decrease of \$427,102 in comparison with the prior year.
- At the end of the 2013 fiscal year, unassigned fund balance for the general fund was \$5,279,040, or 16.2% of total general fund expenditures and transfers out.
- The Town's total long-term obligations decreased by \$1,159,248 (20.9%) during the 2013 fiscal year due to annual scheduled pay down on debt and decrease in estimated liability for landfill closure.

### Overview of the Basic Financial Statements

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, health and social services, public safety, public works, roads and streets, sanitation, education and parks and recreation programs.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

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

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

The Town maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, landfill closure and harbor management dredging project, which are considered to be major funds. Data from the 13 other governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided on Schedules 4 and 5.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

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

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to financial statements.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$21,733,843 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (67.5%) reflects its investment in capital assets (e.g., land, works of art, construction in progress, buildings and improvements, land improvements, machinery, vehicles and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Old Lyme Net Position  
June 30, 2013 and 2012**

	2013	2012
Current and other assets	\$ 8,602,425	\$ 9,169,150
Capital assets (net)	<u>18,314,373</u>	<u>17,341,563</u>
Total Assets	<u>26,916,798</u>	<u>26,510,713</u>
Other liabilities	1,214,000	2,498,530
Long-term liabilities	<u>3,881,261</u>	<u>3,942,365</u>
Total Liabilities	<u>5,095,261</u>	<u>6,440,895</u>
Deferred inflows of resources	<u>87,694</u>	<u>68,028</u>
Net position:		
Net Investment in capital assets	14,663,770	13,302,576
Unrestricted	<u>7,070,073</u>	<u>6,699,214</u>
Total Net Position	<u>\$21,733,843</u>	<u>\$20,001,790</u>

Unrestricted net position (\$7,070,073) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position.

**Governmental activities.** The Town's net position increased by \$1,732,053.

**Town Of Old Lyme Change in Net Position  
Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 1,144,510	\$ 1,317,431
Operating grants and contributions	1,029,382	1,154,206
Capital grants and contributions	795,262	248,927
General revenues:		
Property taxes	31,072,048	30,203,776
Grants and contributions not restricted to specific programs	180,486	142,982
Investment income	14,604	15,956
Miscellaneous	11,850	14,461
<b>Total Revenues</b>	<u><b>34,248,142</b></u>	<u><b>33,097,739</b></u>
<b>Expenses:</b>		
General government	2,390,703	2,708,122
Public works	1,345,789	1,278,043
Parks and recreation	382,947	427,992
Other public safety	658,678	488,654
Social services	83,896	84,466
Fire services	453,464	761,987
Police services	1,104,710	886,192
Health services	156,327	156,946
Senior citizens	108,339	71,189
Sanitation	1,399,954	818,219
Education	24,293,158	23,285,508
Interest expense	138,124	110,426
<b>Total expenses</b>	<u><b>32,516,089</b></u>	<u><b>31,074,744</b></u>
<b>Increase in net position</b>	<b>1,732,053</b>	<b>2,022,995</b>
<b>Net position - July 1</b>	<u><b>20,001,790</b></u>	<u><b>17,978,795</b></u>
<b>Net position - June 30</b>	<u><b>\$ 21,733,843</b></u>	<u><b>\$ 20,001,790</b></u>

## Management Discussion and Analysis (continued)

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The key elements of this increase are as follows:

- Property taxes (including interest and liens) increased by \$868,272 (2.9%) during the year. This increase is due to the increase in the overall budget appropriation.
- Capital and operating grants and contributions for governmental activities increased by \$421,511 due to the acceptance/contribution of two private roads for \$760,824 in the current year which increase was offset by a onetime State grant of \$200,000 for the Town Hall Improvement Project in the prior year.
- Education increased by \$1,007,650 (4.3%) due to the Regional School District No. 18 budget increase.
- Sanitation increased by \$581,735 (71.1%) due to the costs related to closing the landfill.

For the most part, other increases in expenses closely paralleled inflation and growth in the demand for services.

### **Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town continues to accumulate funds for known future capital expenditures.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,038,733, a decrease of \$427,102 in comparison with the prior year. Approximately 74.8% of this total amount (\$5,262,451) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is not available for appropriation or spending by the Town and is classified as follows: Nonspendable (\$147,304), Committed (\$1,475,843), and Assigned (\$153,135).

The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,279,040, while total fund balance reached \$5,791,453. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 16.2% of total general fund expenditures and transfers out, while total fund balance represents 17.7% of that same amount.

The fund balance of the Town's general fund increased by \$552,865 during the current fiscal year. The increase is comprised as follows:

- Property taxes collected exceeded the budgeted amount by \$320,060.
- FEMA grants exceeded budgeted amount by \$170,985.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$645,750. The increases in appropriations are detailed as follows:

- o Salaries and related FICA/pension \$18,000
- o Emergency Management-Hurricane Sandy and February Blizzard costs \$350,300
- o Senior Center-Tree trimming \$2,200
- o Capital-Phone system expansion \$19,950
- o Capital-Lady Liberty restoration \$4,500
- o Capital-Wastewater Management Study \$185,000
- o Capital-Parking Kiosks \$27,300
- o Capital-Senior Center Stove \$6,000
- o Capital-Communication Tower Equipment \$32,500

**Landfill Closure**

This fund accounts for financial resources to be used for the closure and postclosure care of the Town's landfill. During the year ended June 30, 2013, the expenditures totaled \$1,112,802.

**Harbor Management Dredging Project**

This fund accounts for financial resources to be used for the study and potential dredging of two rivers located in the Town. During the year ended June 30, 2013, the expenditures totaled \$16,658.

**Capital Assets and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$18,314,373 (net of accumulated depreciation). This investment in capital assets includes land, works of art, construction in progress, buildings and improvements, land improvements, machinery, vehicles and equipment and infrastructure. The net increase in the Town's investment in capital assets for the current fiscal year was \$972,810 or 5.6%. Major capital asset events during the current fiscal year included the following:

- Public Works purchased a street sweeper \$194,807
- The Town accepted two private roads \$760,824

**Town of Old Lyme Capital Assets  
(Net of Depreciation)**

	<u>2013</u>	<u>2012</u>
Land	\$ 3,423,356	\$ 3,423,356
Works of art	251,000	251,000
Construction in progress	87,569	24,298
Buildings and improvements	5,810,792	5,861,681
Land improvements	1,242,684	1,271,835
Machinery, vehicles and equipment	3,737,298	3,705,154
Infrastructure	<u>3,761,674</u>	<u>2,804,239</u>
Total	<u>\$ 18,314,373</u>	<u>\$ 17,341,563</u>

Additional information on the Town's capital assets can be found in Note III.C.

**Long-term and short-term debt.** At the end of the current fiscal year, the Town had bonded debt outstanding of \$3,475,000. All debt is backed by the full faith and credit of the Town.

**Town of Old Lyme Outstanding Debt  
General Obligation Bonds/Notes**

	<u>2013</u>	<u>2012</u>
General obligation bonds .....	<u>\$ 3,475,000</u>	<u>\$ 3,725,000</u>

The Town's total debt decreased by \$250,000 during the current fiscal year due to pay down of general obligation bond.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$216,591,697, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III.E.

**Economic Factors and Next Year's Budget and Rates**

The unemployment rate for the Town of Old Lyme as of June 2013 was 6.4%. This compares favorably with the Norwich/New London labor market area's unemployment rate of 8.2% and the State of Connecticut's rate of 8.1% for the same period. While the unemployment rates for the State and Norwich/New London labor market decreased .4% and .3%, respectively, for the period from June 2012 to June 2013 due to current national economic conditions, the rates for Old Lyme remained constant.

It is anticipated that the Town of Old Lyme's portion of the Regional School District No. 18 operating budget will increase by 4.4% due to the increase in debt associated with the high school renovations currently underway as well as the increase in head count of Old Lyme students.

Major capital projects for the Town include the Rogers Lake Dam Improvements, Harbor Management Dredging Study, Revaluation and the purchase of a backhoe. There are ongoing road and drainage projects that are funded through the Town budget.

Purchases of capital assets and larger nonrecurring expenses are scheduled through the Town's five year Capital Plan.

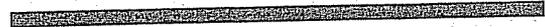
The occupancy rate of the Town's commercial areas is high and it appears this will continue into the future.

With the Federal decision to retain Sub Base New London, the economic climate in the region remains strong.

All of these factors were considered during the preparation of the Town's budget for the 2014 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Treasurer or Finance Director, Town of Old Lyme, 52 Lyme Street, Old Lyme, CT 06371.



# Basic Financial Statements



Town of Old Lyme, Connecticut

Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 2,854,340
Investments	4,405,544
Receivables:	
Property taxes	491,862
Intergovernmental	254,382
Other	31,213
Prepaid amounts	147,304
Total current assets	<u>8,184,645</u>
Noncurrent assets:	
Receivables (net):	
Property taxes	<u>417,780</u>
Capital assets (net of accumulated depreciation):	
Land	3,423,356
Works of art	251,000
Construction in progress	87,569
Buildings and improvements	5,810,792
Land improvements	1,242,684
Machinery, vehicles and equipment	3,737,298
Infrastructure	3,761,674
Total capital assets (net of depreciation)	<u>18,314,373</u>
Total noncurrent assets	<u>18,732,153</u>
Total assets	<u>26,916,798</u>

(Continued)

Town of Old Lyme, Connecticut

Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	313,458
Accrued liabilities	152,240
Accrued interest payable	19,999
Unearned revenue	228,768
Note payable	135,000
Bonds and related liabilities	250,000
Compensated absences	93,785
Landfill postclosure costs	20,750
	<hr/>
Total current liabilities	1,214,000
	<hr/>
Noncurrent liabilities:	
Bonds and related liabilities	3,265,603
Compensated absences	13,908
Landfill postclosure costs	601,750
	<hr/>
Total noncurrent liabilities	3,881,261
	<hr/>
Total liabilities	5,095,261
	<hr/>
<u>Deferred Inflows of Resources</u>	
Advanced property tax collections	87,694
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	14,663,770
Unrestricted	7,070,073
	<hr/>
Total net position	<u>\$ 21,733,843</u>

(Concluded)

See Notes to Financial Statements.

Town of Old Lyme, Connecticut

Statement of Activities  
Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net Expenses and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 2,390,703	\$ 515,669	\$ 45,219	\$ (1,101,548)
Public works	1,345,789	7,888	115,071	(1,173,454)
Parks and recreation	382,947	215,018		(150,310)
Other public safety	658,678	17,987	210,985	(429,706)
Social services	83,896			(83,896)
Fire services	453,464	380		(453,084)
Police services	1,104,710	70,117	40,491	(994,102)
Health services	156,327	15,425	12,030	(128,872)
Senior citizens	108,339	13,668		(94,671)
Sanitation	1,399,954	223,304	605,586	(1,176,650)
Education	24,293,158	65,054		(23,622,518)
Interest expense	138,124			(138,124)
Total	\$ 32,516,089	\$ 1,144,510	\$ 1,029,382	\$ (29,546,935)
			\$ 795,262	
				\$ 31,072,048
General revenues:				180,486
Property taxes				14,604
Grants and contributions not restricted to specific programs				11,850
Investment income				31,278,988
Miscellaneous				1,732,053
Total general revenues				20,001,790
Change in net position				\$ 21,733,843
Net position - July 1, 2012				
Net position - June 30, 2013				

Town of Old Lyme, Connecticut

Balance Sheet  
Governmental Funds  
June 30, 2013

	General	Landfill Closure	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,831,126	\$ 326,396	\$	\$ 696,818	\$ 2,854,340
Investments	4,189,784			215,760	4,405,544
Receivables:					
Property taxes	852,438				852,438
Intergovernmental	194,343			60,039	254,382
Other	9,644			2,257	11,901
Due from other funds	54,596		183,342	29,617	267,555
Prepaid amounts	147,304				147,304
<b>Total assets</b>	<b>\$ 7,279,235</b>	<b>\$ 326,396</b>	<b>\$ 183,342</b>	<b>\$ 1,004,491</b>	<b>\$ 8,793,464</b>
<b>Liabilities</b>					
Accounts payable	\$ 287,499	\$ 21,133	\$	\$ 4,826	\$ 313,458
Accrued liabilities	152,240				152,240
Due to other funds	212,959	11,280		24,004	248,243
Unearned revenue	23,062		183,342	22,364	228,768
<b>Total liabilities</b>	<b>675,760</b>	<b>32,413</b>	<b>183,342</b>	<b>51,194</b>	<b>942,709</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	724,328				724,328
Advanced property tax collections	87,694				87,694
<b>Total deferred inflows of resources</b>	<b>812,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>812,022</b>
<b>Fund Balances</b>					
Nonspendable	147,304				147,304
Committed	365,109	293,983		816,751	1,475,843
Assigned				153,135	153,135
Unassigned	5,279,040			(16,589)	5,262,451
<b>Total fund balances</b>	<b>5,791,453</b>	<b>293,983</b>	<b>-</b>	<b>953,297</b>	<b>7,038,733</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,279,235</b>	<b>\$ 326,396</b>	<b>\$ 183,342</b>	<b>\$ 1,004,491</b>	<b>\$ 8,793,464</b>

(Continued)

Town of Old Lyme, Connecticut  
Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
June 30, 2013

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balance (Exhibit C, Page 1)	\$ 7,038,733
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning net capital assets and current additions	18,811,126
Depreciation expense	(407,796)
Disposal of capital assets	(88,957)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Property tax interest and lien accrual	218,204
Property tax receivable - accrual basis change	724,328
Allowance for doubtful accounts	(161,000)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(3,475,000)
Note payable	(135,000)
Bonds premium	(40,603)
Compensated absences	(107,693)
Landfill postclosure costs	(622,500)
Accrued interest payable	(19,999)
Net position of governmental activities	\$ 21,733,843
	(Concluded)

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2013

	General	Landfill Closure	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 31,007,655	\$	\$	\$ 107,548	\$ 31,007,655
Charges for services	953,843	83,119		33,769	1,144,510
Intergovernmental	1,206,956		16,658	5,483	1,257,383
Investment income	15,831	5,721		19,480	27,035
Contributions				11,850	19,480
Other revenue					11,850
<b>Total revenues</b>	<u>33,184,285</u>	<u>88,840</u>	<u>16,658</u>	<u>178,130</u>	<u>33,467,913</u>
<b>Expenditures:</b>					
Current:					
General government	2,113,643			35,754	2,149,397
Boards and commissions	251,124				251,124
Public works	846,931				846,931
Parks and recreation	312,490		16,658	3,790	332,938
Other public safety	642,464			12,305	654,769
Social services	83,896				83,896
Fire services	335,195				335,195
Police services	748,531				748,531
Health services	63,642				63,642
Senior citizens	101,556				101,556
Other associations	303,000				303,000
Sanitation	1,070,622	1,112,802			2,183,424
Chartered associations	95,038				95,038
Education	24,293,158				24,293,158
Capital outlay	836,837			50,828	887,665
Debt service	348,812			152,831	501,643
<b>Total expenditures</b>	<u>32,446,939</u>	<u>1,112,802</u>	<u>16,658</u>	<u>318,616</u>	<u>33,895,015</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>737,346</u>	<u>(1,023,962)</u>	<u>-</u>	<u>(140,486)</u>	<u>(427,102)</u>
<b>Other financing sources (uses):</b>					
Transfers in	10,519	113,525		108,525	232,569
Transfers out	(195,000)			(37,569)	(232,569)
<b>Net other financing sources (uses)</b>	<u>(184,481)</u>	<u>113,525</u>	<u>-</u>	<u>70,956</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>552,865</u>	<u>(910,437)</u>	<u>-</u>	<u>(69,530)</u>	<u>(427,102)</u>
<b>Fund balances - July 1, 2012</b>	<u>5,238,588</u>	<u>1,204,420</u>	<u>-</u>	<u>1,022,827</u>	<u>7,465,835</u>
<b>Fund balances - June 30, 2013</b>	<u>\$ 5,791,453</u>	<u>\$ 293,983</u>	<u>\$ -</u>	<u>\$ 953,297</u>	<u>\$ 7,038,733</u>

## Town of Old Lyme, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to Statement of Activities  
Year Ended June 30, 2013**

Amounts reported for governmental activities in the statement of activities (Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D)

\$ (427,102)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay  
Donated capital assets  
Depreciation expense

741,296

728,267

(407,796)

1,061,767

Total

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold

(88,957)

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

Changes in property tax receivable - accrual basis change  
Changes in property tax interest and lien revenue  
Changes in allowance for doubtful accounts

60,533

24,860

(21,000)

64,393

Total

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 assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:  
Principal payments  
Premiums  
Other assets

385,000

3,384

(38,322)

350,062

Total

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:

Compensated absences  
Landfill closure and postclosure  
Accrued interest payable

(12,606)

783,470

1,026

771,890

Total

Change in net position of governmental activities (Exhibit B)

\$ 1,732,053

## Town of Old Lyme, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund  
Year Ended June 30, 2103**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Property taxes	\$ 30,687,595	\$ 30,687,595	\$ 31,007,655	\$ 320,060
Charges for services	896,550	896,550	953,843	57,293
Intergovernmental	995,579	995,579	1,206,956	211,377
Investment income	17,175	17,175	15,831	(1,344)
<b>Total revenues</b>	<b>32,596,899</b>	<b>32,596,899</b>	<b>33,184,285</b>	<b>587,386</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,245,794	2,214,005	2,123,632	90,373
Boards and commissions	345,520	346,855	270,532	76,323
Public works	884,110	888,458	854,931	33,527
Parks and recreation	363,494	364,292	324,878	39,414
Other public safety	325,025	681,393	665,981	15,412
Social services	82,662	83,897	83,896	1
Fire services	341,411	347,063	337,799	9,264
Police services	798,404	798,404	750,603	47,801
Health services	63,662	63,662	63,642	20
Senior citizens' activities	99,277	102,380	101,556	824
Other associations	303,000	303,000	303,000	-
Sanitation	1,142,138	1,171,588	1,069,982	101,606
Chartered associations	101,300	101,300	95,038	6,262
Regional School District No. 18	24,297,890	24,297,890	24,293,158	4,732
<b>Debt service:</b>				
Redemption of debt	250,000	250,000	250,000	-
Interest on debt	98,813	98,813	98,812	1
<b>Capital outlay</b>	<b>670,399</b>	<b>945,649</b>	<b>899,883</b>	<b>45,766</b>
<b>Total expenditures</b>	<b>32,412,899</b>	<b>33,058,649</b>	<b>32,587,323</b>	<b>471,326</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>184,000</b>	<b>(461,750)</b>	<b>596,962</b>	<b>1,058,712</b>
<b>Other financing sources (uses):</b>				
Appropriation of fund balance		645,750		(645,750)
Cancellation of prior year encumbrances			50,121	50,121
Transfers in	11,000	11,000	10,519	(481)
Transfers out	(195,000)	(195,000)	(195,000)	-
<b>Net other financing sources (uses)</b>	<b>(184,000)</b>	<b>461,750</b>	<b>(134,360)</b>	<b>(596,110)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>462,602</b>	<b>\$ 462,602</b>
<b>Fund balance - July 1, 2012</b>			<b>4,963,742</b>	
<b>Fund balance - June 30, 2013</b>			<b>\$ 5,426,344</b>	

See Notes to Financial Statements.

Town of Old Lyme, Connecticut  
 Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2013

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash	\$	\$ 426,624
Investments, at fair value:		
Guaranteed interest contract	2,603,501	
Bond mutual funds	303,240	
Equity mutual funds	3,409,605	
Total investments	6,316,346	-
Accounts receivable	220,334	
Total assets	6,536,680	426,624
<u>Liabilities</u>		
Liabilities:		
Accounts payable		407,312
Due to other funds		19,312
Total liabilities	-	426,624
Net position held in trust for pension benefits	\$ 6,536,680	\$ -

See Notes to Financial Statements.

## Town of Old Lyme, Connecticut

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2013

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 411,592
Plan members	<u>72,663</u>
Total contributions	<u>484,255</u>
Investment income:	
Interest	4,750
Net change in fair value of investments	<u>583,115</u>
Total investment income	587,865
Less investment expenses	<u>5,232</u>
Net investment income	<u>582,633</u>
Total additions	<u>1,066,888</u>
Deductions:	
Benefits	192,045
Refunds	<u>7,725</u>
Total deductions	<u>199,770</u>
Change in net position	867,118
Net position - July 1, 2012	<u>5,669,562</u>
Net position - June 30, 2013	<u><u>\$ 6,536,680</u></u>

See Notes to Financial Statements.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**History, Organization and Reporting Entity**

The Town of Old Lyme, Connecticut (the "Town") was founded in 1655. The Town covers 27.1 square miles located in southeastern Connecticut.

The Town operates under a Selectmen/Town Meeting form of government and provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, planning, zoning and general administrative services to its residents. The Town is a member of Regional School District No. 18 with the Town of Lyme. The District provides education for grades K-12. The accompanying basic financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies used by the Town:

**I. Summary of Significant Accounting Policies****A. 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. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**B. 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 fiduciary fund financial statements. Agency funds have no measurement focus but are accounted for using the accrual basis of accounting. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, expenditure reimbursement-type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Landfill Closure Fund accounts for all the financial resources to be used for the closure and postclosure of the Town's landfill.

The Harbor Management Dredging Project Fund accounts for the financial resources to be used for the study and potential dredging of two rivers located in the Town of Old Lyme.

Additionally, the Town reports the following fund types:

The Pension Trust Fund account for the activities of the Town's employee pension plan, which accumulates resources for pension benefit payments to qualified employees.

The Agency Funds are used to account for performance bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity****1. Deposits and Investments**

Deposits - The Town considers cash as cash on hand, demand deposits and money market accounts.

Investments - Eligible investments are governed by the Connecticut General Statutes which, in general, allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivisions rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

Investments for the Town are reported at fair value. State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c-3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The balance of the pooled fixed income investments were invested in 2a-7 like pool, which operates within State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

**2. Receivables and Payables****a. 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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**b. Property Taxes and Other Receivables**

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance is 15% of outstanding receivable balances and is calculated based upon prior collections.

In the fund financial statements, all property tax receivable at June 30, which have not been collected within sixty days of June 30, have been recorded as unavailable revenue, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the sixty day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1, and supplemental motor vehicle taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**3. Capital Assets**

Capital assets, which include buildings, building improvements, land improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-75
Building improvements	50
Land improvements	15-75
Vehicles	10-25
Machinery and equipment	10-25
Roads	75
Bridges	100

**4. Compensated Absences**

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement.

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. The liability for the remainder of the vested sick and vacation leave, and the nonvested portion expected to be paid in future periods, is accounted for in the government-wide financial statements as a noncurrent liability.

**5. Long-Term Obligations**

In the government-wide financial statements, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

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

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting in this category.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one item that qualifies for reporting in this category.

For governmental funds the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes (including advanced collections, if any). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Fund Equity and Net Position**

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Town which is not restricted.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Finance.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be expressed by the governing body (Board of Finance) or by an official (Finance Director).

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

The Town will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

The Town will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**8. 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.

**9. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Stewardship, Compliance and Accountability****A. Budgets and Budgetary Accounting**

Budget Policies - The procedures for establishing the budgetary data reported in the financial statements are as follows:

- The Town legally adopts an annual budget for the general fund. Formal budgetary integration is employed by the Board of Finance as a management control device during the year for the general fund.  
The capital projects fund employs a project length budget, which is approved by the annual Town Meeting.
- Prior to March 1, each department head, office, agency, board or commission of the Town, supported wholly or in part from Town funds, shall submit budget requests in the form requested by the First Selectman so as to indicate the programs, activities and work accomplished in the current fiscal year and to be accomplished during the ensuing year. These shall be accompanied by detailed estimates of expenditures to be made and of revenues other than taxes to be collected during the ensuing fiscal year, along with such other information as may be requested by the Board of Finance or the First Selectman.
- Prior to April 1, the First Selectman shall present to the Board of Finance a budget.
- The Board of Finance shall hold at least one public hearing on the budget during the month of April and shall adopt a proposed budget, including a recommended appropriation act, by May 1, which shall be published in a newspaper in general circulation in the Town at least five days prior to the annual Town Meeting for budget consideration.
- An annual Town Meeting for budget consideration shall be held on the second Tuesday in May. This meeting shall consider the budget presented to it by the Board of Finance and may approve or lower any item, but may not raise the amount of such item. If the annual Town Meeting fails to adopt a budget, the budget will be returned to the Board of Finance for its consideration. The Board of Finance shall return the same or a revised budget to a Town Meeting called by the Board of Finance for a date no later than ten days after the annual meeting, at which the Town Meeting may approve or lower any item. Should the Town Meeting then fail or refuse to adopt a budget, the budget appropriation last proposed by the Board of Finance shall be in full effect.

Town of Old Lyme, Connecticut

Notes to Financial Statements

- The level at which expenditures may not legally exceed appropriations without Board of Finance and/or Town Meeting approval is at the department level. Transfers between departments or new appropriations may be approved by consecutive actions of the Board of Finance and a Town Meeting, which shall be called by the Board of Finance following its action on the new spending proposal.

An appropriation of over \$20,000 for an additional expenditure at the department level not provided for in the annual budget or as a second request may be approved by consecutive favorable actions of the Board of Finance and a referendum of the electors of the Town at a special or regular election of the Town, as one or the other may be determined by the Board of Finance. Additional appropriations to the general fund budget during the year were \$645,750 from fund balance.

- 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 (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for 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. Budget - GAAP Reconciliation**

A reconciliation of expenditures and fund balance between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (Exhibit F), is as follows:

	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis, Exhibit F - June 30, 2013	\$ 32,587,323	\$ 5,426,344
Encumbrances outstanding at June 30, 2012 liquidated during the fiscal year	174,430	
Encumbrances outstanding at June 30, 2012 and 2013		50,295
Encumbrances outstanding at June 30, 2013 charged to budgetary expenditures during the fiscal year	<u>(314,814)</u>	<u>314,814</u>
Balance, GAAP basis, Exhibit D - June 30, 2013	<u>\$ 32,446,939</u>	<u>\$ 5,791,453</u>

**C. Excess of Expenditures over Appropriations**

During the year ended June 30, 2013, there were no general fund department expenditures that exceeded appropriations.

**D. Deficit Fund Balance**

The following fund had a deficit fund balance at June 30, 2013.

<u>Capital Projects Fund</u>	
Rogers Lake Dam	<u>\$ 16,589</u>

Future intergovernmental revenues will be used to fund the deficit.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

## III. Detailed Notes

## A. Cash and Investments

1. 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. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$4,717,908 of the Town's bank balance of \$5,467,908 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$4,171,117
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>546,791</u>
Total amount subject to custodial credit risk	<u>\$4,717,908</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.

2. Investments - At June 30, 2013, the Town's investments consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (in Years)			
		N/A	Less than 1 Year	1-5 Years	6-10 Years
Bank money market accounts	\$ 1,933,498	\$	\$ 1,933,498	\$	\$
Pooled fixed income	2,472,046		2,472,046		
Guaranteed interest contract	2,603,501				2,603,501
Bond mutual funds	303,240			303,240	
Equity mutual funds	3,409,605	3,409,605			
Total	<u>\$10,721,890</u>	<u>\$3,409,605</u>	<u>\$ 4,405,544</u>	<u>\$ 303,240</u>	<u>\$2,603,501</u>

Of the \$2,472,046 of pooled fixed income, \$2,010,078 was invested in the Short Term Investment Fund ("STIF"). STIF is an investment pool managed by the State of Connecticut Office of the State Treasurer. The balance was invested in a 2a-7 like pool, which operates within State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

The Town's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Average Rating	Pooled Fixed Income	Guaranteed Interest Contract	Bond Mutual Funds
AAA	\$ 2,472,046	\$	\$ 303,240
AA		2,603,501	
Total	\$ 2,472,046	\$ 2,603,501	\$ 303,240

Custodial credit risk - The Town has no formal policy with respect to 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. At June 30, 2013, the Town had no investments subject to custodial credit risk.

**B. Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts as of June 30, 2013, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 362,219	\$ 129,643	\$ 491,862
Long-term portion	\$ 490,219	\$ 88,561	\$ 578,780
Less allowance for uncollectible	(128,000)	(33,000)	(161,000)
Net long-term portion	\$ 362,219	\$ 55,561	\$ 417,780

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

## C. Capital Assets

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,423,356	\$	\$	\$ 3,423,356
Works of art	251,000			251,000
Construction in progress	24,298	63,271		87,569
Total capital assets, not being depreciated	<u>3,698,654</u>	<u>63,271</u>	<u>-</u>	<u>3,761,925</u>
Capital assets, being depreciated:				
Buildings and improvements	6,428,948	22,205		6,451,153
Land improvements	1,545,320			1,545,320
Machinery, vehicles and equipment	5,204,144	385,272	163,000	5,426,416
Infrastructure	3,163,389	998,815		4,162,204
Total capital assets, being depreciated	<u>16,341,801</u>	<u>1,406,292</u>	<u>163,000</u>	<u>17,585,093</u>
Total capital assets	<u>20,040,455</u>	<u>1,469,563</u>	<u>163,000</u>	<u>21,347,018</u>
Less accumulated depreciation for:				
Buildings and improvements	567,267	73,094		640,361
Land improvements	273,485	29,151		302,636
Machinery, vehicles and equipment	1,498,990	264,171	74,043	1,689,118
Infrastructure	359,150	41,380		400,530
Total accumulated depreciation	<u>2,698,892</u>	<u>407,796</u>	<u>74,043</u>	<u>3,032,645</u>
Total capital assets, being depreciated, net	<u>13,642,909</u>	<u>998,496</u>	<u>88,957</u>	<u>14,552,448</u>
Governmental activities capital assets, net	<u>\$ 17,341,563</u>	<u>\$ 1,061,767</u>	<u>\$ 88,957</u>	<u>\$ 18,314,373</u>

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

General government	\$ 123,779
Public works	101,590
Parks and recreation	29,844
Other public safety	1,066
Fire services	118,269
Police services	26,465
Senior citizens	6,783
Total depreciation expense	<u>\$ 407,796</u>

The Town has a collection of artwork presented in public buildings. The true value of the art is expected to either be maintained at cost or appreciate over time and, thus, the art is not depreciated. If individual pieces are lost or destroyed, the loss is recorded.

### Construction Commitments

The Town has one active construction project at June 30, 2013, which is the Rogers Lake Dam Project. At year end, the Town's commitments with contractors are as follows:

Rogers Lake Dam Project	<u>\$ 237,500</u>
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## Town of Old Lyme, Connecticut

## Notes to Financial Statements

## D. Interfund Accounts

## 1. Interfund Payables and Receivables

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

	Corresponding Fund	Due from	Due to
Major funds:			
General fund:			
Social workers' fund	N/A	\$ 310	\$
Miscellaneous fund	N/A		1,785
Dog fund	N/A	7,105	
Private duty fund	N/A		27,832
Landfill closure	N/A	11,280	
Rogers lake dam	N/A	16,589	
Harbor management dredging project	N/A		183,342
Performance bonds	N/A	19,312	
Total general fund		<u>54,596</u>	<u>212,959</u>
Landfill closure	General fund		<u>11,280</u>
Harbor management dredging project	General fund	<u>183,342</u>	
Nonmajor funds:			
Special revenue funds:			
Social workers' fund	General fund		310
Miscellaneous fund	General fund	1,785	
Dog fund	General fund		7,105
Private duty fund	General fund	27,832	
Capital projects funds:			
Rogers lake dam	General fund		<u>16,589</u>
Total nonmajor funds		<u>29,617</u>	<u>24,004</u>
Fiduciary funds:			
Performance bonds	General fund		<u>19,312</u>
Grand total		<u>\$ 267,555</u>	<u>\$ 267,555</u>

All interfund balances resulted from the time lag between the date payments occurred between funds for various activities.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

## 2. Interfund Transfers

A summary of interfund transfers for the year ended June 30, 2013 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
Major funds:			
General fund:			
Land acquisition	N/A	\$	\$ 75,000
Landfill closure	N/A		100,000
Capital nonrecurring	N/A		20,000
Bus barn fund	N/A	10,519	
Total general fund		10,519	195,000
Landfill closure	General fund	100,000	
Landfill closure	Bus barn fund	13,525	
Total landfill closure		113,525	-
Nonmajor funds:			
Special revenue funds:			
Bus barn fund	General fund		10,519
Bus barn fund	Capital nonrecurring		13,525
Bus barn fund	Landfill closure		13,525
Capital projects funds:			
Capital nonrecurring	General fund	20,000	
Capital nonrecurring	Bus barn fund	13,525	
Land acquisition	General fund	75,000	
Total nonmajor funds		108,525	37,569
Grand total		\$ 232,569	\$ 232,569

Transfers are used to account the financing by the general fund of various program and activities in other funds.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

## E. Changes in Long-Term Obligations

## 1. Summary of Changes

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Current Portion
Bonds - general	\$ 4,200,000	10/15/09	10/15/24	2.0% - 3.5%	\$ 3,725,000	\$ -	\$ 250,000	\$ 3,475,000	\$ 250,000
Premiums					43,987		3,384	40,603	
Total bonds and related liabilities					3,768,987	-	253,384	3,515,603	250,000
Note payable	405,000	6/15/2011	6/15/2014	2%	270,000		135,000	135,000	135,000
Landfill postclosure costs					1,405,970		783,470	622,500	20,750
Compensated absences					95,087	93,815	81,209	107,693	93,785
Total long-term obligations					<u>\$ 5,540,044</u>	<u>\$ 93,815</u>	<u>\$ 1,253,063</u>	<u>\$ 4,380,796</u>	<u>\$ 499,535</u>

Old Lyme is a member of the Regional School District No. 18, which provides education facilities for grades pre-k through twelve for the Towns of Lyme and Old Lyme. As of June 30, 2013, the outstanding bonded indebtedness of the District was \$46,160,000. The Town of Old Lyme's share will be approximately 79.0%, which totaled \$36,466,400. These are general obligations of Regional School District No. 18 and its member towns.

All long-term liabilities are generally liquidated by the general fund.

The annual requirements to amortize bonds payable as of June 30, 2013, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 250,000	\$ 93,812	\$ 343,812
2015	275,000	88,563	363,563
2016	275,000	82,719	357,719
2017	275,000	76,188	351,188
2018	300,000	69,000	369,000
2019	300,000	61,125	361,125
2020	300,000	52,500	352,500
2021	300,000	43,500	343,500
2022	300,000	34,500	334,500
2023	300,000	25,125	325,125
2024	300,000	15,375	315,375
2025	<u>300,000</u>	<u>5,250</u>	<u>305,250</u>
Total	<u>\$3,475,000</u>	<u>\$ 647,657</u>	<u>\$4,122,657</u>

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**2. Note Payable**

The Town has a note payable to Mr. Steven Ames in the amount of \$135,000 as of June 30, 2013. The proceeds of the note were used to purchase 81± acres off Evergreen Trail. The note accrues interest of 2% per annum. The annual requirements to amortize the note payable as of June 30, 2013 are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 135,000</u>	<u>\$ 2,700</u>	<u>\$ 137,700</u>

**3. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require that the Town of Old Lyme place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. During the current fiscal year, the Town closed and covered its landfill. Monitoring costs and estimated repairs and maintenance for the next 30 years at \$20,750 per year are \$622,500 as of June 30, 2013. The postclosure care amounts are estimates which are subject to changes due to inflation, technology or applicable landfill laws and regulations. At June 30, 2013, the Town has committed fund balance of \$293,983 for these costs.

**4. Authorized/Unissued Bonds**

There are no authorized/unissued bonds at June 30, 2013.

**5. Statutory Debt Limitations**

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

<u>Category</u>	<u>Debt Limit</u>	Net <u>Indebtedness</u>	<u>Balance</u>
General purpose	\$ 69,618,760	\$ 3,610,000	\$ 66,008,760
Schools	139,237,520	36,466,400	102,771,120
Sewers	116,031,266		116,031,266
Urban renewal	100,560,431		100,560,431
Pension deficit	92,825,013		92,825,013

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$216,591,697.

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

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

## F. Fund Balance Classifications

As of June 30, 2013, fund balances are composed of the following:

Fund Balance Component	General Fund	Landfill Closure	Harbor Management Dredging Project	Nonmajor Funds	Total
Nonspendable:					
Prepaid Items	\$ 147,304	\$	\$	\$	\$ 147,304
Committed:					
General government	14,952				14,952
Boards and commissions	20,139				20,139
Public works	8,000				8,000
Parks and recreation	12,822				12,822
Other public safety	23,517				23,517
Fire services	6,367				6,367
Police services	2,602				2,602
Sanitation		293,983			293,983
Capital outlay	276,710				276,710
Approved CNR projects				816,751	816,751
Total Committed	365,109	293,983	-	816,751	1,475,843
Assigned:					
General government				28,455	28,455
Parks and recreation				36,430	36,430
Other public safety				19,087	19,087
Police services				30,089	30,089
Health services				39,074	39,074
Total Assigned	-	-	-	153,135	153,135
Unassigned	5,279,040			(16,589)	5,262,451
Total	\$ 5,791,453	\$ 293,983	\$ -	\$ 953,297	\$ 7,038,733

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**IV. Other Information****A. Risk Management**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters.

The Town currently is a member in Connecticut Interlocal Risk Management Agency ("CIRMA"), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes for workers' compensation and employer liability coverage. The Town pays an annual premium for its coverage. CIRMA should be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

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

**B. Commitments and Litigation**

The Town has been named as defendant in several claims and legal actions. The Town's attorney estimates that the potential claims against the Town not covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of the Town.

The Town has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowances, if any, will not be material.

The Town has entered into a service agreement with Connecticut Resources Recovery Authority for disposal of solid waste. As part of this agreement, the Town is obligated to provide minimum tonnage for each billing period, or be required to pay a penalty in lieu of minimum tonnage, if the project total does not meet the minimum tonnage requirement. There was no minimum tonnage assessment for 2013.

**C. Pension Plans****Defined Contribution Town of Old Lyme Pension Plan****1. Plan Description**

The Town has established and administers a multiple employer defined contribution plan to provide pension benefits for all of its full time employees and Regional School District No. 18 nonprofessional administrative employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at twenty-one (21) years of age and after one year of service. Participants are not required to contribute to the plan; however, they are allowed to contribute on an after tax basis up to 10%, which is fully vested. The Town's contributions for each employee and interest allocated to the employee's account are fully vested after five years of continuous service. The Town's contribution is allocated to participants' accounts on the basis of compensation. Contribution requirements of the plan members and the Town are established and may be amended by the Board of Selectmen. The Town is required to contribute 8% of its employee covered payroll. The Plan does not issue stand alone reports.

## Town of Old Lyme, Connecticut

## Notes to Financial Statements

**2. Summary of Significant Accounting Policies and Plan Asset Matters**

Basis of Accounting - The Town of Old Lyme Pension Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contribution requirements and investment income is recognized when earned and expenses (benefits, administration and refunds) are recognized when they are due and payable in accordance with the terms of the plan. Administrative costs are financed through investment earnings.

Method Used to Value Investments - Plan investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price.

**3. Classes of Employees Covered**

At June 30, 2013, membership of the plan consisted of:

Current employees:

Town	36
Regional School District No. 18	<u>110</u>
Total	<u>146</u>

For the year ended June 30, 2013, the Town and Regional School District No. 18's payroll of eligible individuals covered by the plan was \$5,144,900. The Town and District contributed \$411,592, or 8%, while the employees contributed \$72,663, or 1.41%, of covered payroll.

**4. Defined Contribution Volunteer Firefighters' Retirement Plan****Plan Description**

The volunteer firefighters participate in a defined contribution plan; however, the assets are not held in the Town's name. Although not required, it has been the Town's policy in the past years to fund all pension costs accrued in the current year. The Town's contribution during the year ended June 30, 2013 was \$40,260.

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# Supplemental Schedules

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## General Fund

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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 Old Lyme, Connecticut

General Fund  
 Schedule of Revenues and Other Financing Sources -  
 Budget and Actual  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Property taxes:				
Property taxes	\$ 30,530,595	\$ 30,530,595	\$ 30,765,549	\$ 234,954
Interest and lien fees	120,000	120,000	205,029	85,029
Telephone access line grant	37,000	37,000	37,077	77
	<u>30,687,595</u>	<u>30,687,595</u>	<u>31,007,655</u>	<u>320,060</u>
Total property taxes				
Charges for services:				
Building department	110,000	110,000	163,188	53,188
Health department	4,500	4,500	4,627	127
Parks and recreation department	58,500	58,500	40,945	(17,555)
Parking lot	130,000	130,000	116,882	(13,118)
Town Woods Park	29,800	29,800	28,906	(894)
Planning commission	1,000	1,000	1,162	162
Selectmen's office	8,000	8,000	11,760	3,760
Town clerk's office	190,000	190,000	243,664	53,664
Assessor	2,800	2,800	2,057	(743)
Zoning commission	3,900	3,900	11,609	7,709
Zoning board of appeals	8,000	8,000	7,396	(604)
Inland/wetlands	3,000	3,000	2,822	(178)
Engineering/legal reimbursements	21,600	21,600	10,232	(11,368)
Historic District commission	500	500	195	(305)
Fire marshal	850	850	380	(470)
Senior center	12,430	12,430	13,668	1,238
Septage transfer	85,000	85,000	48,597	(36,403)
Recycling	10,000	10,000	293	(9,707)
Landfill	75,000	75,000	91,295	16,295
Parking fines	25,000	25,000	16,709	(8,291)
Cell phone tower lease	25,700	25,700	23,691	(2,009)
Beach stickers and permits	27,000	27,000	28,285	1,285
Capital asset proceeds	10	10		(10)
School crossing guard	14,900	14,900	15,054	154
OLVNA reimbursement	3,300	3,300	10,798	7,498
Ambulance fuel reimbursement	8,000	8,000	11,194	3,194
Workers' compensation reimbursement			857	857
Registrar reimbursement			1,810	1,810
Miscellaneous	4,000	4,000	29,361	25,361
Beach patrol reimbursement			16,406	16,406
Private duty - police	33,760	33,760		(33,760)
	<u>896,550</u>	<u>896,550</u>	<u>953,843</u>	<u>57,293</u>
Total charges for services				
Intergovernmental:				
LOCIP	48,927	48,927	49,376	449
Historic preservation grant	3,000	3,000	4,000	1,000
Emergency management/FEMA	40,000	40,000	210,985	170,985
Education equalization grant	605,586	605,586	605,586	-
PILOT - state property	30,375	30,375	29,425	(950)
Miscellaneous state grants	5,000	5,000	57,434	52,434
PILOT - colleges	38,844	38,844	36,981	(1,863)
Mashantucket Pequot grant	13,030	13,030	13,893	863
Tax relief elderly	38,000	38,000	39,587	1,587
Veterans' tax exempt	5,500	5,500	4,127	(1,373)
Town aid road	114,781	114,781	115,071	290
State police DWI and special events	52,536	52,536	40,491	(12,045)
	<u>995,579</u>	<u>995,579</u>	<u>1,206,956</u>	<u>211,377</u>
Total intergovernmental				
Investment income:				
Interest on investments	17,175	17,175	15,831	(1,344)
	<u>32,596,899</u>	<u>32,596,899</u>	<u>33,184,285</u>	<u>587,386</u>
Total revenues				
Other financing sources:				
Appropriation of fund balance		645,750		(645,750)
Cancellation of prior year encumbrances			50,121	50,121
Transfers in:				
Bus barn fund	11,000	11,000	10,519	(481)
	<u>11,000</u>	<u>656,750</u>	<u>60,640</u>	<u>(596,110)</u>
Total other financing sources				
Total revenues and other financing sources	<u>\$ 32,607,899</u>	<u>\$ 33,253,649</u>	<u>\$ 33,244,925</u>	<u>\$ (8,724)</u>

Town of Old Lyme, Connecticut

General Fund  
Schedule of Expenditures and Other Financing Uses -  
Budget and Actual  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>General government:</b>				
Selectmen's office	\$ 224,140	\$ 237,470	\$ 237,469	\$ 1
Town clerk	106,702	107,929	106,697	1,232
Tax collector	90,725	92,468	82,967	9,501
Treasurer	151,297	151,297	145,831	5,466
Registrar	33,012	33,336	33,336	-
Information technology	54,980	66,647	66,647	-
Probate court	5,020	5,021	5,021	-
Assessor	120,591	120,591	119,522	1,069
Building department	91,655	91,655	91,205	450
Health department	183,422	184,015	155,178	28,837
Town hall	108,100	108,100	98,975	9,125
Insurance	691,400	638,400	636,099	2,301
Special deductions	384,750	377,076	344,685	32,391
<b>Total general government</b>	<b>2,245,794</b>	<b>2,214,005</b>	<b>2,123,632</b>	<b>90,373</b>
<b>Boards and commissions:</b>				
Harbor management commission	887	887	801	86
Economic development commission	20	20		20
Ethics commission	25	25		25
Water management authority	24,613	25,340	25,339	1
Board of finance	10,171	10,171	9,658	513
Flood and erosion control board	540	540	300	240
Historic district commission	4,750	4,750	4,168	582
Tree commission	13,760	13,760	10,226	3,534
Board of assessment appeals	465	511	511	-
Land use	289,065	289,627	218,854	70,773
Sound View	1,224	1,224	675	549
<b>Total boards and commissions</b>	<b>345,520</b>	<b>346,855</b>	<b>270,532</b>	<b>76,323</b>
<b>Public works:</b>				
Public works expenditures	884,110	888,458	854,931	33,527
<b>Parks and recreation:</b>				
Parks and recreation	217,574	218,009	179,265	38,744
Town Woods Park	141,910	141,910	141,240	670
Fireworks/Memorial day	4,010	4,373	4,373	-
<b>Total parks and recreation</b>	<b>363,494</b>	<b>364,292</b>	<b>324,878</b>	<b>39,414</b>
<b>Other public safety:</b>				
Animal control	69,571	74,201	58,797	15,404
Emergency management	12,200	362,500	362,492	8
Valley shore communications	121,324	121,324	121,324	-
Ambulance	121,930	123,368	123,368	-
<b>Total other public safety</b>	<b>325,025</b>	<b>681,393</b>	<b>665,981</b>	<b>15,412</b>
<b>Social services:</b>				
Social service	10,662	11,897	11,896	1
Lyme's youth services	72,000	72,000	72,000	-
<b>Total social services</b>	<b>82,662</b>	<b>83,897</b>	<b>83,896</b>	<b>1</b>

(Continued)

Town of Old Lyme, Connecticut

General Fund  
Schedule of Expenditures and Other Financing Uses -  
Budget and Actual  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Fire services:				
Old Lyme fire department	\$ 212,184	\$ 212,184	\$ 202,922	\$ 9,262
Fire protection	25,100	26,128	26,127	1
Fire marshal	60,477	60,536	60,535	1
Firemen's incentive plan	43,650	48,215	48,215	-
Total fire services	341,411	347,063	337,799	9,264
Police services:				
Roger lake patrol	7,485	7,485	5,096	2,389
Resident state police	120,396	120,396	119,419	977
Municipal police	670,523	670,523	626,088	44,435
Total police services	798,404	798,404	750,603	47,801
Health services:				
Social services agencies	2,692	2,692	2,692	-
VNA	60,970	60,970	60,950	20
Total health services	63,662	63,662	63,642	20
Senior citizens' activities:				
Estuary transit district	10,513	10,513	10,513	-
Estuary services	31,500	31,500	31,500	-
Senior center	57,264	60,367	59,543	824
Total senior citizens' activities	99,277	102,380	101,556	824
Other associations	303,000	303,000	303,000	-
Sanitation:				
Municipal refuse collection	357,371	357,371	357,371	-
Single Stream Recycling	175,718	175,718	175,718	-
CT Resources Recovery Authority	235,000	235,000	207,237	27,763
Recycling	19,220	26,658	26,658	-
Household hazardous waste	17,753	17,753	10,913	6,840
Transfer station	200,576	222,588	222,588	-
Septage	136,500	136,500	69,497	67,003
Total sanitation	1,142,138	1,171,588	1,069,982	101,606
Chartered associations:				
Point O' Woods	20,600	20,600	20,600	-
Old Lyme shores	13,500	13,500	13,500	-
Old colony beach	13,500	13,500	13,500	-
Miami beach	20,000	20,000	20,000	-
White sands beach	16,500	16,500	16,500	-
Roger's lake west shore	5,100	5,100	5,100	-
Hawks' nest beach	3,100	3,100	3,100	-
Federation of Beaches	9,000	9,000	2,738	6,262
Total chartered associations	101,300	101,300	95,038	6,262
Regional School District No. 18	24,297,890	24,297,890	24,293,158	4,732
Redemption of debt:				
Town Hall expansion	250,000	250,000	250,000	-

(Continued)

Town of Old Lyme, Connecticut

General Fund  
Schedule of Expenditures and Other Financing Uses -  
Budget and Actual  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Interest on debt:				
Town Hall expansion	\$ 98,813	\$ 98,813	\$ 98,812	\$ 1
Capital outlay:				
General government	113,690	356,440	347,755	8,685
Public works	122,100	122,100	120,151	1,949
Public safety	94,609	127,109	95,203	31,906
Public works roads and projects	340,000	340,000	336,774	3,226
Total capital outlay	670,399	945,649	899,883	45,766
Total expenditures	32,412,899	33,058,649	32,587,323	471,326
Other financing uses:				
Transfers out:				
Landfill closure	100,000	100,000	100,000	-
Land acquisition	75,000	75,000	75,000	-
Capital nonrecurring	20,000	20,000	20,000	-
Total other financing uses	195,000	195,000	195,000	-
Total expenditures and other financing uses	\$ 32,607,899	\$ 33,253,649	\$ 32,782,323	\$ 471,326

(Concluded)

Town of Old Lyme, Connecticut  
 Report of Property Tax Collector  
 Year Ended June 30, 2013

Grand List Year	Uncollected Taxes July 1, 2012	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2013	
			Additions	Deductions			Taxes	Interest	Lien Fees		Total
Suspense	\$	\$	\$ 1,129	\$	\$	\$ 1,129	\$ 1,129	\$ 1,067	\$	\$ 2,196	\$
1996	2			2		845					845
1997	845					2					2
1998	2					3					3
1999	3					13					13
2000	13					161					161
2001	161					427	282			282	145
2002	145		282			89					89
2003	89					2,098	171			171	1,927
2004	1,927		171			2,628	302	5	24	331	2,326
2005	2,628					15,248	6,288	9,845	72	16,205	8,960
2006	15,248					41,646	17,733	14,361	240	32,334	23,913
2007	41,646				27,302	78,427	36,277	18,251	312	54,840	42,150
2008	105,729		65	1,382		187,662	92,059	34,870	504	127,433	95,603
2009	188,979					402,580	166,577	41,281	1,072	208,930	236,003
2010	405,581		215	3,216		732,958	320,818	119,680	2,224	442,722	412,140
Total Prior Years	762,998		1,862	4,600	27,302	30,856,122	30,415,824	82,993	132	30,498,949	440,298
2011		30,955,230	33,213	132,321		\$ 31,589,080	\$ 30,736,642	\$ 202,673	\$ 2,356	\$ 30,941,671	\$ 852,438
Total	\$ 762,998	\$ 30,955,230	\$ 35,075	\$ 136,921	\$ 27,302	\$ 31,589,080	\$ 30,736,642	\$ 202,673	\$ 2,356	\$ 30,941,671	\$ 852,438

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## **Nonmajor Governmental Funds**

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### **Special Revenue Funds**

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

### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Town of Old Lyme, Connecticut  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	Special Revenue Funds								
	Social Workers' Fund	Miscellaneous Fund	Dog Fund	Private Duty Fund	Harbor Management Fund	Town Woods Park Fund	Public Building Improvement Fund	Bus Barn Fund	Total
<b>Assets</b>									
Cash	\$ 39,384	\$	\$ 30,208	\$	\$ 18,240	\$ 18,190	\$ 28,313	\$ 142	\$ 134,477
Receivables:		3,770		2,257					3,770
Intergovernmental				27,832					2,257
Other		1,785							29,617
Due from other funds				30,089					
Total assets	\$ 39,384	\$ 5,555	\$ 30,208	\$ 30,089	\$ 18,240	\$ 18,190	\$ 28,313	\$ 142	\$ 170,121
<b>Liabilities and Fund Balances</b>									
Liabilities:									
Accounts payable	\$ 310	\$ 810	\$ 4,016	\$	\$	\$	\$	\$	\$ 4,826
Due to other funds		4,745	7,105						7,415
Unearned revenue									4,745
Total liabilities	310	5,555	11,121						16,986
Fund balances:									
Assigned	39,074		19,087	30,089	18,240	18,190	28,313	142	153,135
Total liabilities and fund balances	\$ 39,384	\$ 5,555	\$ 30,208	\$ 30,089	\$ 18,240	\$ 18,190	\$ 28,313	\$ 142	\$ 170,121

(Continued)

Town of Old Lyme, Connecticut  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Land Acquisition	Firefighters' Equipment	Rogers Lake Dam	Total	
<b>Assets</b>							
Cash	\$ 187,287	\$ 205,164	\$ 375,054	\$ 10,596	\$ -	\$ 562,341	\$ 696,818
Investments						215,760	215,760
Receivables:							
Intergovernmental			38,650		17,619	56,269	60,039
Other							2,257
Due from other funds							29,617
Total assets	\$ 187,287	\$ 205,164	\$ 413,704	\$ 10,596	\$ 17,619	\$ 834,370	\$ 1,004,491
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable							4,826
Due to other funds					16,589	16,589	24,004
Unearned revenue					17,619	17,619	22,364
Total liabilities					34,208	34,208	51,194
Fund balances:							
Committed	187,287	205,164	413,704	10,596		816,751	816,751
Assigned					(16,589)	(16,589)	153,135
Unassigned							(16,589)
Total fund balances	187,287	205,164	413,704	10,596	800,162	953,297	953,297
Total liabilities and fund balances	\$ 187,287	\$ 205,164	\$ 413,704	\$ 10,596	\$ 17,619	\$ 834,370	\$ 1,004,491

(Concluded)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2013

	Special Revenue Funds								Total
	Social Workers' Fund	Miscellaneous Fund	Dog Fund	Private Duty Fund	Harbor Management Fund	Town Woods Park Fund	Public Building Improvement Fund	Bus Barn Fund	
Revenues:									
Charges for services		\$ 33,769	\$ 6,793	\$ 37,002	\$ 5,865	\$	\$ 6,858	\$ 50,000	\$ 106,518
Intergovernmental			55		36	38	77	29	33,769
Investment income	12,030	11,850							235
Contributions									12,030
Other		45,619	6,848	37,002	5,901	38	6,935	50,029	11,850
Total revenues	12,030	45,619	6,848	37,002	5,901	38	6,935	50,029	164,402
Expenditures:									
Current:									
General government.		11,850			3,790		23,904		35,754
Parks and recreation			12,305	22,148					3,790
Other public safety		8,770							12,305
Police services	7,191	24,999						12,431	30,918
Health services									32,190
Debt service		45,619	12,305	22,148	3,790		23,904	12,431	12,431
Total expenditures	7,191	45,619	12,305	22,148	3,790		23,904	12,431	127,388
Excess (deficiency) of revenues over expenditures	4,839	-	(5,457)	14,854	2,111	38	(16,969)	37,598	37,014
Other financing sources (uses):								(37,569)	(37,569)
Transfers out					2,111	38	(16,969)	29	(555)
Net change in fund balances	4,839	-	(5,457)	14,854	2,111	38	(16,969)	29	153,690
Fund balances - July 1, 2012	34,235		24,544	15,235	16,129	18,152	45,282	113	
Fund balances - June 30, 2013	\$ 39,074	\$	\$ 19,087	\$ 30,089	\$ 18,240	\$ 18,190	\$ 28,313	\$ 142	\$ 153,135

(Continued)

Town of Old Lyme, Connecticut  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2013

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Land Acquisition	Firefighters' Equipment	Rogers Lake Dam	Total	
Revenues:							
Charges for services		\$	\$	\$	\$	\$	\$
Intergovernmental							
Investment income	599	4,502	143	4		5,248	33,769
Contributions			7,450			7,450	5,483
Other							19,480
							11,850
Total revenues	599	4,502	7,593	4	1,030	13,728	178,130
Expenditures:							
Current:							
General government							35,754
Parks and recreation							3,790
Other public safety							12,305
Police services							30,916
Health services							32,190
Capital outlay	28,635		140,400	4,574	17,619	181,228	50,828
Debt service							140,400
							152,831
Total expenditures	28,635		140,400	4,574	17,619	191,228	318,616
Excess (deficiency) of revenues over expenditures	(28,036)	4,502	(132,807)	(4,570)	(16,589)	(177,500)	(140,486)
Other financing sources (uses):							
Transfers in		33,525	75,000			108,525	108,525
Transfers out							(37,569)
Net other financing sources (uses)		33,525	75,000			108,525	70,956
Net change in fund balances	(28,036)	38,027	(57,807)	(4,570)	(16,589)	(68,975)	(69,530)
Fund balances - July 1, 2012	215,323	167,137	471,511	15,166		869,137	1,022,827
Fund balances - June 30, 2013	\$ 187,287	\$ 205,164	\$ 413,704	\$ 10,596	\$ (16,589)	\$ 800,162	\$ 953,297

(Concluded)

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## Fiduciary Funds

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

### **Pension Trust Funds**

A fiduciary fund type used to report resources that are required to be held in trust for the member and beneficiaries of defined benefit pension plans.

### **Agency Funds**

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

## Town of Old Lyme, Connecticut

Agency Funds  
 Combining Statement of Changes in Asset and Liabilities  
 Year Ended June 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<u>Asset</u>				
Cash:				
Performance bonds	\$ 425,727	\$ 897	\$	\$ 426,624
<u>Liabilities</u>				
Accounts payable:				
Performance bonds	\$ 406,415	\$ 897	\$	\$ 407,312
Due to other funds:				
Performance bonds	19,312			19,312
Total liabilities	\$ 425,727	\$ 897	\$ -	\$ 426,624

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# Trend Information

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Table 1

Town of Old Lyme, Connecticut  
 Net Position by Component  
 Last Ten Years  
 (Unaudited)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 14,663,770	\$ 13,302,576	\$ 12,172,355	\$ 11,009,816	\$ 8,973,379	\$ 8,270,851	\$ 7,795,442	\$ 7,683,152	\$ 7,111,863	\$ 7,412,241
Restricted for:										
Capital projects	7,070,073	6,699,214	5,806,440	353,191	531,684	531,684	3,177,416	3,929,657	3,579,206	2,991,886
Unrestricted				4,545,445	4,645,126	5,713,427	1,456,952			
	\$ 21,733,843	\$ 20,001,790	\$ 17,978,795	\$ 15,908,452	\$ 14,150,189	\$ 14,515,962	\$ 12,429,810	\$ 11,612,809	\$ 10,691,069	\$ 10,404,129
Total net position										

Town of Old Lyme, Connecticut  
Changes in Net Position  
Last Ten Years  
(Unaudited)

Fiscal Year

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses:</b>										
General government	\$ 2,390,703	\$ 2,708,122	\$ 2,426,942	\$ 2,443,785	\$ 2,776,360	\$ 1,859,107	\$ 2,031,935	\$ 1,819,901	\$ 1,844,942	\$ 1,910,757
Public works	1,345,789	1,275,043	1,238,387	1,476,780	1,220,859	1,046,150	1,454,938	1,107,903	1,079,281	963,823
Parks and recreation	382,947	427,992	386,002	417,593	396,256	453,884	322,253	330,462	278,165	819,885
Other public safety	658,678	488,654	351,199	307,029	313,692	273,302	508,695	626,482	485,970	664,871
Social services	83,896	84,466	83,955	79,808	81,350	74,669	70,223	66,645	70,463	60,615
Fire services	453,464	761,987	698,564	642,124	589,697	624,176	414,250	283,557	291,630	277,208
Police services	1,104,710	886,192	781,859	819,740	897,176	735,102	742,553	673,391	629,447	596,341
Health services	156,327	156,946	150,025	147,568	138,107	311,626	297,434	287,771	280,395	275,446
Senior citizens	108,339	71,189	67,520	66,359	73,206	76,235	68,372	56,188	50,465	52,561
Sanitation	1,399,954	818,219	1,076,571	1,057,766	1,122,251	2,559,955	1,013,162	1,054,130	944,823	2,176,329
Education	24,283,158	23,265,508	22,632,353	22,467,474	22,326,280	21,993,565	21,001,614	19,907,714	19,154,498	17,230,288
Interest expense	138,124	110,428	107,192	99,624	206,575	110,596	48,909	21,980	27,234	42,706
<b>Total expenses</b>	<b>32,516,089</b>	<b>31,074,744</b>	<b>30,000,569</b>	<b>30,025,670</b>	<b>30,141,809</b>	<b>29,717,387</b>	<b>27,974,338</b>	<b>26,236,124</b>	<b>25,137,313</b>	<b>25,070,850</b>
<b>Program revenues</b>										
Charges for services:										
General government	515,669	487,346	414,045	437,569	448,809	538,175	571,402	550,471	603,608	645,283
Public works	7,888	6,357	8,130	109,465	104,630	100,141	60,393	66,293	67,720	59,066
Parks and recreation	215,018	252,141	208,841	151,921	126,664	74,881	137,318	103,221	76,663	80,676
Other public safety	17,987	9,369	15,589	9,662	11,137	8,665	8,665	11,964	12,665	13,565
Fire services	380	420	850	1,260	400	45,278	21,740	28,108	31,522	39,805
Police services	70,117	145,922	73,473	43,640	84,412	7,398	5,192	6,074	7,011	5,354
Health services	15,425	13,230	10,432	4,435	4,755	13,173	4,826	4,022	169,697	190,839
Senior citizens	13,668	7,158	7,287	26,043	26,043	219,057	167,659	184,234	584,873	504,888
Sanitation	223,304	351,026	238,107	167,518	215,435	614,569	700,984	420,683	116,850	1,143,155
Education	65,054	64,461	63,755	747,876	1,069,701	631,174	46,100	2,083,960	1,670,609	2,682,621
Operating grants and contributions	1,029,382	1,154,206	850,837	397,590	51,860					
Capital grants and contributions	785,252	248,927	185,441							
<b>Total program revenues</b>	<b>2,969,154</b>	<b>2,720,564</b>	<b>2,086,847</b>	<b>2,079,050</b>	<b>2,143,846</b>	<b>2,452,624</b>	<b>1,724,279</b>	<b>2,083,960</b>	<b>(23,466,704)</b>	<b>(22,388,229)</b>
<b>Net expenses:</b>	<b>(29,546,935)</b>	<b>(28,354,180)</b>	<b>(27,913,722)</b>	<b>(27,946,620)</b>	<b>(27,997,963)</b>	<b>(27,264,663)</b>	<b>(26,250,059)</b>	<b>(24,152,164)</b>	<b>23,342,392</b>	<b>21,639,510</b>
<b>Governmental activities</b>										
General revenues:										
Property taxes	31,072,048	30,203,776	29,739,653	29,475,784	28,680,299	27,280,725	26,437,868	24,513,393	141,606	136,410
Grants and contributions not restricted to specific programs	180,486	142,982	178,588	138,473	170,751	196,051	180,686	222,446	166,881	95,580
Investment income	14,604	15,956	27,619	50,447	166,310	393,473	393,840	277,385	38,981	48,934
Gain on sale of land and building					25,060			60,680	125,218	
Miscellaneous	11,850	14,461	38,205	40,179	14,748	231,779	54,666	23,814,978		
<b>Total general revenues</b>	<b>31,278,988</b>	<b>30,377,175</b>	<b>29,984,065</b>	<b>29,704,883</b>	<b>29,067,166</b>	<b>28,102,028</b>	<b>27,067,060</b>	<b>25,073,904</b>	<b>23,814,978</b>	<b>21,920,434</b>
<b>Change in net position</b>	<b>\$ 1,732,053</b>	<b>\$ 2,022,995</b>	<b>\$ 2,070,343</b>	<b>\$ 1,768,263</b>	<b>\$ 1,069,203</b>	<b>\$ 837,165</b>	<b>\$ 817,001</b>	<b>\$ 921,740</b>	<b>\$ 348,274</b>	<b>\$ (467,795)</b>

Town of Old Lyme, Connecticut  
 Schedule of Debt Limitation  
 Year Ended June 30, 2013

Total tax collections (including interest and lien fees):

\$ 30,941,671

For the year ended June 30, 2013

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 69,618,760	\$	\$	\$	\$
4 1/2 times base		139,237,520			
3 3/4 times base			116,031,266		
3 1/4 times base				100,560,431	
3 times base					92,825,013
<b>Total debt limitation</b>	<b>69,618,760</b>	<b>139,237,520</b>	<b>116,031,266</b>	<b>100,560,431</b>	<b>92,825,013</b>
Indebtedness:					
Bonds payable	3,475,000				
Notes payable	135,000				
Town's share of Regional School District No. 18 debt		36,466,400			
<b>Total indebtedness</b>	<b>3,610,000</b>	<b>36,466,400</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debt limitation in excess of indebtedness</b>	<b>\$ 66,008,760</b>	<b>\$ 102,771,120</b>	<b>\$ 116,031,266</b>	<b>\$ 100,560,431</b>	<b>\$ 92,825,013</b>

\$ 40,076,400

NOTES: (1) The total of the above net indebtedness amounts to:

In no event shall total indebtedness exceed seven times the base for debt limitation computation:

\$ 216,591,697

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**State  
Single  
Audit**

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**Town of Old Lyme, Connecticut**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended June 30, 2013**

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core CT Number	Expenditures
Office of Policy and Management:		
Property Tax Relief for Totally Disabled Homeowners	11000-OPM20600-17011	\$ 148
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	39,587
Property Tax Relief for Veterans	11000-OPM20600-17024	4,127
Local Capital Improvement Program	12050-OPM20600-40254	49,376
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	36,981
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	29,425
Department of Education:		
Youth Services Bureau	11000-SDE64000-17052	20,111
Youth Services Bureau Enhancement	11000-SDE64000-16201	4,888
Department of Emergency Services & Public Protection:		
Nuclear Safety CT Yankee	12060-DPS32984-30464	824
Nuclear Safety Fund Dominion	12060-DPS32984-30465	6,476
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	115,071
Deep Water Ports and Marina	12052-DOT57801-43509	16,658
Connecticut State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	4,000
Total State Financial Assistance before Exempt Programs		<u>327,672</u>
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64000-17041	605,586
Office of Policy and Management:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	13,893
Municipal Revenue Sharing	12060-OPM20600-35458	51,374
Total State Financial Assistance		<u>\$ 998,525</u>

See Note to Schedule of Expenditures of State Financial Assistance.

## Town of Old Lyme, Connecticut

### Note to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2013

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Old Lyme, Connecticut, under programs of the State of Connecticut for the fiscal year ended June 30, 2013. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Old Lyme through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, education, public safety, public works, sanitation, and social services.

#### **Summary of Significant Accounting Policies**

The accounting policies of the Town of Old Lyme conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is a summary of the more significant policy relating to the aforementioned grant programs:

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

#### Basis of Accounting

The expenditures reported on the schedule of expenditures of state financial assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**Town of Old Lyme, Connecticut**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2013**

There were no prior year audit findings or questioned costs.

Town of Old Lyme, Connecticut

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes      x  no
- Significant deficiency(ies) identified? \_\_\_\_\_yes      x  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes      x  no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes      x  no
- Significant deficiency(ies) identified? \_\_\_\_\_yes      x  none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

\_\_\_\_\_yes      x  no

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core CT Number	Expenditures
Department of Transportation: Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$115,071
Office of Policy and Management: Local Capital Improvement Program	12050-OPM20600-40254	49,376
Dollar threshold used to distinguish between Type A and Type B programs:		\$100,000

II. Financial Statement Findings:

No findings reported relating to the Town's financial statements.

III. State Financial Assistance Findings and Questioned Costs:

No findings or questioned costs are reported relating to State Financial Assistance programs.

Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Finance  
Town of Old Lyme, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Lyme, Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 10, 2013.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



New London, Connecticut  
December 10, 2013

Independent Auditor's Report on Compliance for Each Major  
State Program and Report on Internal Control over Compliance  
Required by the State Single Audit Act

Board of Finance  
Town of Old Lyme, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Old Lyme, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2013. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

### *Opinion on Each Major State Program*

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

### *Report on Internal Control Over Compliance*

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.



New London, Connecticut  
December 10, 2013