

Annual Financial Report
of the
Town of Old Lyme, Connecticut
Year Ended June 30, 2015

Town of Old Lyme, Connecticut

Table of Contents

	Page
<u>Introductory Section</u>	
Organization Chart	1
<u>Financial Section</u>	
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-12
<u>Exhibits</u>	
Basic Financial Statements	
Government-Wide Financial Statements	
A Statement of Net Position	13-14
B Statement of Activities	15
Fund Financial Statements	
C Balance Sheet - Governmental Funds and Reconciliation of Fund Balance to Net Position of Governmental Activities	16-17
D Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
E Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	19
F Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
G Statement of Fiduciary Net Position	21
H Statement of Changes in Fiduciary Net Position	22
I Notes to Financial Statements	23-40

Town of Old Lyme, Connecticut

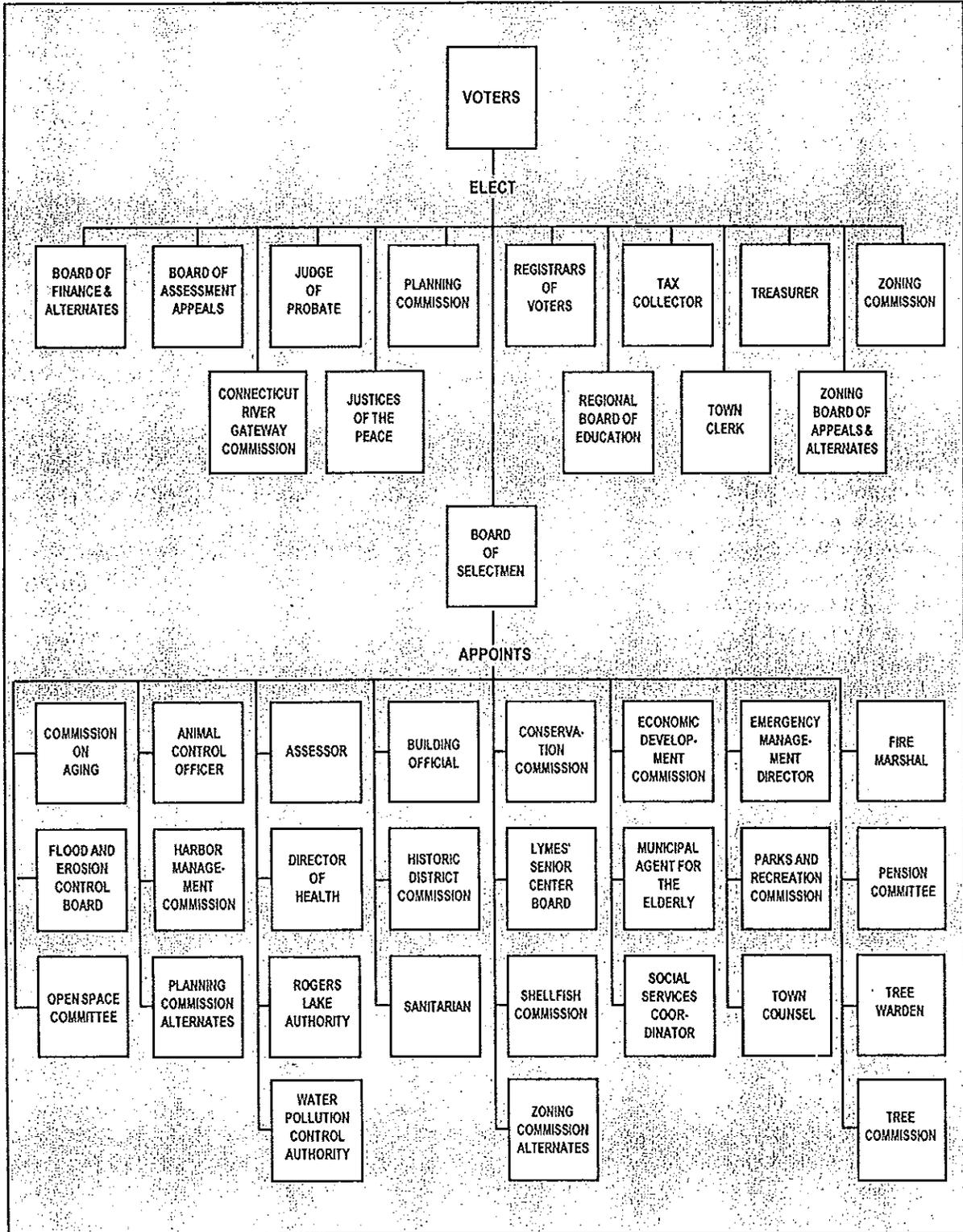
Table of Contents

		Page
<u>Schedules</u>	Supplemental Schedules	
	General Fund	
1	Schedule of Revenues and Other Financing Sources - Budget and Actual	41
2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	42-44
3	Report of Property Tax Collector	45
	Nonmajor Governmental Funds	
4	Combining Balance Sheet	46-47
5	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48-49
	Fiduciary Funds	
6	Combining Statement of Changes in Asset and Liabilities	50
<u>Tables</u>	<u>Trend Information</u>	
1	Net Position by Component	51
2	Changes in Net Position	52
3	Schedule of Debt Limitation	53
	<u>State Single Audit</u>	
	Schedule of Expenditures of State Financial Assistance	54
	Note to Schedule of Expenditures of State Financial Assistance	55
	Summary Schedule of Prior Year Audit Findings	56
	Schedule of Findings and Questioned Costs	57-58
	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 <i>Government Auditing Standards</i>	59-60
	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	61-62

Introductory Section

Town of Old Lyme, Connecticut

ORGANIZATION CHART



**Financial
Section**

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, 2015, 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, 2015, 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 to 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 28, 2015, 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.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Hartford, Connecticut
December 28, 2015

Management's Discussion and Analysis Year Ended June 30, 2015

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, 2015.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2015 fiscal year by \$24,992,520. Of this amount, \$9,167,351 (*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 \$1,455,603. The most significant reasons for the increase were the positive general fund operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,082,380, an increase of \$1,046,044 in comparison with the prior year.
- At the end of the 2015 fiscal year, unassigned fund balance for the general fund was \$6,827,652, or 20.4% of total general fund expenditures and transfers out.
- The Town's total long-term obligations decreased by \$391,747 (9.8%) during the 2015 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 18 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 and harbor management dredging project, which are considered to be major funds. Data from the 16 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 \$24,922,520 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (63.3%) 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, 2015 and 2014**

	2015	2014
Current and other assets	\$ 10,649,715	\$ 9,412,230
Capital assets (net)	<u>18,809,004</u>	<u>18,774,456</u>
Total Assets	<u>29,458,719</u>	<u>28,186,686</u>
Other liabilities	1,172,653	960,190
Long-term liabilities	<u>3,175,053</u>	<u>3,579,964</u>
Total Liabilities	<u>4,347,706</u>	<u>4,540,154</u>
Deferred inflows of resources	<u>118,493</u>	<u>109,615</u>
Net position:		
Net Investment in capital assets	15,825,169	15,512,237
Unrestricted	<u>9,167,351</u>	<u>8,024,680</u>
Total Net Position	<u>\$ 24,992,520</u>	<u>\$ 23,536,917</u>

Unrestricted net position (\$9,167,351) 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 \$1,455,603.

**Town Of Old Lyme Change in Net Position
Years Ended June 30, 2015 and 2014**

	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 1,119,422	\$ 1,123,043
Operating grants and contributions	749,675	963,519
Capital grants and contributions	279,550	793,642
General revenues:		
Property taxes	31,962,357	31,275,151
Grants and contributions not restricted to specific programs	225,785	167,440
Investment income	14,805	12,223
Miscellaneous	<u>22,424</u>	<u>15,290</u>
Total Revenues	<u>34,374,018</u>	<u>34,350,308</u>
Expenses:		
General government	2,870,319	2,828,319
Public works	1,324,016	1,306,797
Parks and recreation	491,930	494,022
Other public safety	403,834	330,743
Social services	93,486	90,972
Fire services	464,308	510,386
Police services	1,153,081	1,152,650
Health services	150,831	149,989
Senior citizens	218,980	189,045
Sanitation	1,014,480	1,087,838
Education	24,649,113	24,314,383
Interest expense	<u>84,037</u>	<u>92,090</u>
Total expenses	<u>32,918,415</u>	<u>32,547,234</u>
Increase in net position	1,455,603	1,803,074
Net position - July 1	<u>23,536,917</u>	<u>21,733,843</u>
Net position - June 30	<u>\$24,992,520</u>	<u>\$23,536,917</u>

Management Discussion and Analysis (continued)

The key elements of this increase are as follows:

- Property taxes (including interest and liens) increased by \$687,206 (2.2%) during the year. This increase is due to the increase in the overall budget appropriation.
- Capital grants and contributions decreased by \$514,092 (64.8%) due to one time grants in 2014 for Rogers Lake Dam \$290,000 and donation of land in Sound View \$224,000.
- Education increased by \$334,730 (1.4%) due to the cost allocation from Regional School District #18.

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 \$9,082,380, an increase of \$1,046,044 in comparison with the prior year. Approximately 75.2% of this total amount (\$6,827,550) 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 (\$348,029), Committed (\$1,724,179), and Assigned (\$182,622).

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 \$6,827,652, while total fund balance reached \$7,630,852. 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 20.4% of total general fund expenditures and transfers out, while total fund balance represents 22.8% of that same amount.

The fund balance of the Town's general fund increased by \$539,577 during the current fiscal year. The increase is comprised as follows:

- Property taxes collected exceeded the budgeted amount by \$377,150
- Charges for services exceeded the budget amount by \$54,788
 - Building Department \$40,250
 - Town Clerk of \$31,415
- DOT-SV Bike Path/Improvement Grant reimbursement exceeded budget amount by \$47,760

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$507,720. The increases in appropriations are detailed as follows:

- o BOF-Legal Services \$19,900
- o Emergency Management-2015 Blizzard \$37,500
- o Ambulance-turn out gear \$13,920
- o Capital-Hains Park Boathouse Project \$405,000
- o Capital-White Sands Beach Road Repair \$1,400
- o Capital-Rogers Lake Weed Study \$30,000

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, 2015, the expenditures totaled \$31,816.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$18,809,004 (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 \$34,548 or .002%. Major capital asset events during the current fiscal year included the following:

- Public Works purchased a John Deere loader \$153,937
- Police purchased a Dodge Charger \$32,745
- The Town is in the process of starting the Hains Park Boathouse \$60,906.
- The Town purchased new docks for Hains Park/Rogers Lake \$39,550

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

	<u>2015</u>	<u>2014</u>
Land	\$ 3,647,356	\$ 3,647,356
Works of art	251,000	251,000
Construction in progress	80,786	429,603
Buildings and improvements	5,664,206	5,737,499
Land improvements	1,184,381	1,213,533
Machinery, vehicles and equipment	3,561,856	3,588,519
Infrastructure	<u>4,419,419</u>	<u>3,906,946</u>
Total	<u>\$ 18,809,004</u>	<u>\$ 18,774,456</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 \$2,950,000. All debt is backed by the full faith and credit of the Town.

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

	<u>2015</u>	<u>2014</u>
General obligation bonds	<u>\$ 2,950,000</u>	<u>\$ 3,225,000</u>

The Town's total debt decreased by \$275,000 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 \$223,693,617, 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 2015 was 4.3%. This compares favorably with the Norwich/New London labor market area's unemployment rate of 5.8% and the State of Connecticut's rate of 5.7% for the same period. The unemployment rates for the State, Norwich/New London and Town labor markets decreased 12.3%, 12.1% and 6.5%, respectively, for the period from June 2014 to June 2015 due to current national economic conditions.

It is anticipated that the Town of Old Lyme's portion of the Regional School District No. 18 operating budget will increase by 1.5% due to the increase in debt associated with the high school renovations completed in the past fiscal year as well as the changes in head count of Old Lyme students.

Major capital projects for the Town include the Sound View/Bike Path Improvement Project, Hains Park Boathouse, WPCA Sewer Project, Harbor Management Dredging Study, the purchase of a public works truck with plow and sander, Fire/Police boat, and replacement of underground gas tanks at public works facility. 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 2016 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, 2015

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 1,870,378
Investments	7,514,722
Receivables:	
Property taxes	409,938
Intergovernmental	49,642
Other	107,190
Prepaid amounts	348,029
Total current assets	<u>10,299,899</u>
Noncurrent assets:	
Receivables (net):	
Property taxes	<u>349,816</u>
Capital assets (net of accumulated depreciation):	
Land	3,647,356
Works of art	251,000
Construction in progress	80,786
Buildings and improvements	5,664,206
Land improvements	1,184,381
Machinery, vehicles and equipment	3,561,856
Infrastructure	<u>4,419,419</u>
Total capital assets (net of depreciation)	<u>18,809,004</u>
Total noncurrent assets	<u>19,158,820</u>
Total assets	<u>29,458,719</u>

(Continued)

Town of Old Lyme, Connecticut

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 494,417
Accrued liabilities	132,188
Accrued interest payable	17,819
Unearned revenue	107,515
Bonds and related liabilities	275,000
Compensated absences	129,714
Landfill postclosure costs	16,000
	<hr/>
Total current liabilities	1,172,653
	<hr/>
Noncurrent liabilities:	
Bonds and related liabilities	2,708,835
Compensated absences	34,218
Landfill postclosure costs	432,000
	<hr/>
Total noncurrent liabilities	3,175,053
	<hr/>
Total liabilities	4,347,706
	<hr/>
<u>Deferred Inflows of Resources</u>	
Advanced property tax collections	118,493
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	15,825,169
Unrestricted	9,167,351
	<hr/>
Total net position	\$ 24,992,520
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(Concluded)

Town of Old Lyme, Connecticut

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net Expenses and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
General government	\$ 2,870,319	\$ 488,866	\$ 64,893	\$ -	\$ (2,316,560)
Public works	1,324,016	4,239	-	279,550	(1,040,227)
Parks and recreation	491,930	198,812	-	-	(293,118)
Other public safety	403,834	19,337	34,284	-	(350,213)
Social services	93,486	-	-	-	(93,486)
Fire services	464,308	360	-	-	(463,948)
Police services	1,153,081	89,059	35,725	-	(1,028,297)
Health services	150,831	10,688	9,187	-	(130,956)
Senior citizens	218,980	48,905	-	-	(170,075)
Sanitation	1,014,480	193,509	-	-	(820,971)
Education	24,649,113	65,647	605,586	-	(23,977,880)
Interest expense	84,037	-	-	-	(84,037)
Total	\$ 32,918,415	\$ 1,119,422	\$ 749,675	\$ 279,550	\$ (30,769,768)
General revenues:					
Property taxes					\$ 31,962,357
Grants and contributions not restricted to specific programs					225,785
Investment income					14,805
Miscellaneous					22,424
Total general revenues					32,225,371
Change in net position					1,455,603
Net position - July 1, 2014					23,536,917
Net position - June 30, 2015					\$ 24,992,520

See Notes to Financial Statements.

Town of Old Lyme, Connecticut

Balance Sheet
Governmental Funds
June 30, 2015

	General	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 698,372	\$ -	\$ 1,172,006	\$ 1,870,378
Investments	7,514,722	-	-	7,514,722
Receivables:				
Property taxes	717,451	-	-	717,451
Intergovernmental	49,642	-	-	49,642
Other	32,800	-	55,078	87,878
Due from other funds	134,832	77,283	356,237	568,352
Prepaid amounts	348,029	-	-	348,029
Total assets	\$ 9,495,848	\$ 77,283	\$ 1,583,321	\$ 11,156,452
<u>Liabilities</u>				
Accounts payable	\$ 489,801	\$ -	\$ 4,616	\$ 494,417
Accrued liabilities	132,188	-	-	132,188
Due to other funds	433,520	-	115,520	549,040
Unearned revenue	18,575	77,283	11,657	107,515
Total liabilities	1,074,084	77,283	131,793	1,283,160
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	672,419	-	-	672,419
Advanced property tax collections	118,493	-	-	118,493
Total deferred inflows of resources	790,912	-	-	790,912
<u>Fund Balances</u>				
Nonspendable	348,029	-	-	348,029
Committed	455,171	-	1,269,008	1,724,179
Assigned	-	-	182,622	182,622
Unassigned	6,827,652	-	(102)	6,827,550
Total fund balances	7,630,852	-	1,451,528	9,082,380
Total liabilities, deferred inflows of resources and fund balances	\$ 9,495,848	\$ 77,283	\$ 1,583,321	\$ 11,156,452

(Continued)

Town of Old Lyme, Connecticut

Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2015

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)	\$ 9,082,380
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	19,258,281
Depreciation expense	(449,277)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
Property tax interest and lien accrual	177,303
Property tax receivable - accrual basis change	672,419
Allowance for doubtful accounts	(135,000)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(2,950,000)
Bonds premium	(33,835)
Compensated absences	(163,932)
Landfill postclosure costs	(448,000)
Accrued interest payable	(17,819)
Net position of governmental activities	<u>\$ 24,992,520</u>

(Concluded)

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 31,980,235	\$ -	\$ -	\$ 31,980,235
Charges for services	853,777	-	265,645	1,119,422
Intergovernmental	1,135,130	31,816	25,154	1,192,100
Investment income	22,797	-	5,695	28,492
Contributions	-	-	62,910	62,910
Other revenue	-	-	22,424	22,424
Total revenues	33,991,939	31,816	381,828	34,405,583
Expenditures:				
Current:				
General government	2,205,147	-	100,280	2,305,427
Boards and commissions	448,832	-	-	448,832
Public works	912,255	-	-	912,255
Parks and recreation	390,681	31,816	105,821	528,318
Other public safety	366,781	-	5,249	372,030
Social services	93,486	-	-	93,486
Fire services	338,587	-	-	338,587
Police services	797,366	-	56,131	853,497
Health services	63,415	-	27,201	90,616
Senior citizens	124,964	-	35,468	160,432
Other associations	325,500	-	-	325,500
Sanitation	1,040,664	-	127,566	1,168,230
Chartered associations	95,224	-	-	95,224
Education	24,649,113	-	-	24,649,113
Capital outlay	640,742	-	-	640,742
Debt service	363,563	-	13,687	377,250
Total expenditures	32,856,320	31,816	471,403	33,359,539
Excess (deficiency) of revenues over expenditures	1,135,619	-	(89,575)	1,046,044
Other financing sources (uses):				
Transfers in	38,254	-	647,369	685,623
Transfers out	(634,296)	-	(51,327)	(685,623)
Net other financing sources (uses)	(596,042)	-	596,042	-
Net change in fund balances	539,577	-	506,467	1,046,044
Fund balances - July 1, 2014	7,091,275	-	945,061	8,036,336
Fund balances - June 30, 2015	\$ 7,630,852	\$ -	\$ 1,451,528	\$ 9,082,380

See Notes to Financial Statements.

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, 2015

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) \$ 1,046,044

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	483,825
Depreciation expense	<u>(449,277)</u>
Total	<u>34,548</u>

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net position. 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 position differs from the change in fund balance by the cost of the capital assets sold -

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

Change in property tax receivable - accrual basis change	(6,145)
Change in property tax interest and lien revenue	(15,733)
Change in allowance for doubtful accounts	<u>4,000</u>
Total	<u>(17,878)</u>

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

Debt issued or incurred:	
Principal payments	275,000
Premiums	<u>3,384</u>
Total	<u>278,384</u>

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	(40,387)
Landfill closure and postclosure	153,750
Accrued interest payable	<u>1,142</u>
Total	<u>114,505</u>

Change in net position of governmental activities (Exhibit B) \$ 1,455,603

Town of Old Lyme, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 31,603,085	\$ 31,603,085	\$ 31,980,235	\$ 377,150
Charges for services	798,989	798,989	853,777	54,788
Intergovernmental	1,097,200	1,097,200	1,135,130	37,930
Investment income	15,200	15,200	22,797	7,597
Total revenues	<u>33,514,474</u>	<u>33,514,474</u>	<u>33,991,939</u>	<u>477,465</u>
Expenditures:				
Current:				
General government	2,387,579	2,368,134	2,199,478	168,656
Boards and commissions	422,085	443,296	475,832	(32,536)
Public works	947,835	947,835	915,255	32,580
Parks and recreation	414,238	414,871	386,386	28,485
Other public safety	342,829	394,249	367,181	27,068
Social services	95,168	95,168	93,486	1,682
Fire services	384,439	384,439	361,831	22,608
Police services	862,097	869,467	799,838	69,629
Health services	63,624	63,624	63,415	209
Senior citizens' activities	125,749	125,749	124,964	785
Other associations	325,500	325,500	325,500	-
Sanitation	1,105,849	1,109,110	1,055,664	53,446
Chartered associations	101,300	101,300	95,224	6,076
Regional School District No. 18	24,649,113	24,649,113	24,649,113	-
Debt service:				
Redemption of debt	275,000	275,000	275,000	-
Interest on debt	88,563	88,563	88,563	-
Capital outlay	698,635	736,905	690,168	46,737
Total expenditures	<u>33,289,603</u>	<u>33,392,323</u>	<u>32,966,898</u>	<u>425,425</u>
Excess (deficiency) of revenues over expenditures	<u>224,871</u>	<u>122,151</u>	<u>1,025,041</u>	<u>902,890</u>
Other financing sources (uses):				
Appropriation of fund balance	-	507,720	-	(507,720)
Cancellation of prior year encumbrances	-	-	24,033	24,033
Transfers in	10,150	10,150	38,254	28,104
Transfers out	(235,021)	(640,021)	(634,296)	5,725
Net other financing sources (uses)	<u>(224,871)</u>	<u>(122,151)</u>	<u>(572,009)</u>	<u>(449,858)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>453,032</u>	<u>\$ 453,032</u>
Fund balance - July 1, 2014			6,722,649	
Fund balance - June 30, 2015			<u>\$ 7,175,681</u>	

Town of Old Lyme, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash	\$ -	\$ 373,878
Investments, at fair value:		
Common collective trust	2,879,197	-
Bond mutual funds	361,401	-
Equity mutual funds	4,827,906	-
Total investments	<u>8,068,504</u>	<u>-</u>
Accounts receivable	<u>114,266</u>	<u>-</u>
Total assets	<u>8,182,770</u>	<u>373,878</u>
<u>Liabilities</u>		
Liabilities:		
Accounts payable	-	354,566
Due to other funds	-	19,312
Total liabilities	<u>-</u>	<u>373,878</u>
Net position held in trust for pension benefits	<u>\$ 8,182,770</u>	<u>\$ -</u>

Town of Old Lyme, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 387,230
Plan members	87,103
	474,333
Total contributions	474,333
Investment income:	
Interest and dividends	420,880
Net change in fair value of investments	19,545
Total investment income	440,425
Less investment expenses	9,067
Net investment income	431,358
Total additions	905,691
Deductions:	
Benefits	459,318
Refunds	3,309
	462,627
Total deductions	462,627
Change in net position	443,064
Net position - July 1, 2014	7,739,706
Net position - June 30, 2015	\$ 8,182,770

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2015**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
June 30, 2015

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 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 accounts 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
June 30, 2015**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
June 30, 2015

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
June 30, 2015

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
June 30, 2015

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

June 30, 2015

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
June 30, 2015

- 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 \$507,720 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, 2015	\$ 32,966,898	\$ 7,175,681
Encumbrances outstanding at June 30, 2014 liquidated during the fiscal year	133,217	-
Encumbrances outstanding at June 30, 2014 and 2015	-	211,376
Encumbrances outstanding at June 30, 2015 charged to budgetary expenditures during the fiscal year	<u>(243,795)</u>	<u>243,795</u>
Balance, GAAP basis, Exhibit D - June 30, 2015	<u>\$ 32,856,320</u>	<u>\$ 7,630,852</u>

C. Excess of expenditures over appropriations

During the year ended June 30, 2015, the general fund department expenditures that exceeded appropriations were as follows:

<u>Department</u>	<u>Expenditures over Budget</u>
Water management authority	\$ 113,931

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2015

D. Deficit fund balance

The following fund had a deficit fund balance at June 30, 2015.

<u>Special Revenue Fund</u>	
Bus Barn	\$ 102

Future intergovernmental revenues will be used to fund the deficit.

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, 2015, \$9,276,508 of the Town's bank balance of \$10,276,529 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,248,857
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>1,027,651</u>
Total amount subject to custodial credit risk	<u>\$ 9,276,508</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, 2015, 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 markets/CDs	\$ 7,514,722	\$ -	\$ 7,514,722	\$ -	\$ -
Common collective trust	2,879,197	-	-	-	2,879,197
Bond mutual funds	361,401	-	-	251	361,150
Equity mutual funds	4,827,906	4,827,906	-	-	-
Total	<u>\$ 15,583,226</u>	<u>\$ 4,827,906</u>	<u>\$ 7,514,722</u>	<u>\$ 251</u>	<u>\$ 3,240,347</u>

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
June 30, 2015

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

Average Rating	Bond Mutual Funds	Common Collective Trust
AA	\$ 247	\$ 2,879,197
BB	251	-
BBB	360,903	-
Total	\$ 361,401	\$ 2,879,197

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, 2015, 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, 2015, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 304,726	\$ 105,212	\$ 409,938
Long-term portion	\$ 412,725	\$ 72,091	\$ 484,816
Less allowance for uncollectible	(108,000)	(27,000)	(135,000)
Net long-term portion	\$ 304,725	\$ 45,091	\$ 349,816

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2015**C. Capital assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,647,356	\$ -	\$ -	\$ 3,647,356
Works of art	251,000	-	-	251,000
Construction in progress	429,603	63,750	412,567	80,786
Total capital assets, not being depreciated	<u>4,327,959</u>	<u>63,750</u>	<u>412,567</u>	<u>3,979,142</u>
Capital assets, being depreciated:				
Buildings and improvements	6,451,153	-	-	6,451,153
Land improvements	1,545,320	-	-	1,545,320
Machinery, vehicles and equipment	5,510,022	264,355	-	5,774,377
Infrastructure	4,357,204	568,287	-	4,925,491
Total capital assets, being depreciated	<u>17,863,699</u>	<u>832,642</u>	<u>-</u>	<u>18,696,341</u>
Total capital assets	<u>22,191,658</u>	<u>896,392</u>	<u>412,567</u>	<u>22,675,483</u>
Less accumulated depreciation for:				
Buildings and improvements	713,654	73,293	-	786,947
Land improvements	331,787	29,152	-	360,939
Machinery, vehicles and equipment	1,921,503	291,018	-	2,212,521
Infrastructure	450,258	55,814	-	506,072
Total accumulated depreciation	<u>3,417,202</u>	<u>449,277</u>	<u>-</u>	<u>3,866,479</u>
Total capital assets, being depreciated, net	<u>14,446,497</u>	<u>383,365</u>	<u>-</u>	<u>14,829,682</u>
Governmental activities capital assets, net	<u>\$ 18,774,456</u>	<u>\$ 447,115</u>	<u>\$ 412,567</u>	<u>\$ 18,809,004</u>

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

General government	\$ 143,429
Public works	119,062
Parks and recreation	35,196
Other public safety	1,066
Fire services	120,262
Police services	23,479
Senior citizens	6,783
Total depreciation expense	<u>\$ 449,277</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.

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2015

D. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances as of June 30, 2015 is as follows:

	Corresponding Fund	Due from	Due to
Major funds:			
General fund:			
Social workers' fund	N/A	\$ 891	\$ -
Miscellaneous fund	N/A	6,147	-
Dog fund	N/A	633	-
Private duty fund	N/A	-	10,240
Harbor management fund	N/A	436	-
Public building improvement fund	N/A	834	-
Senior center board fund	N/A	2,998	-
Bus barn fund	N/A	311	-
Septage fund	N/A	103,270	-
Hains park boathouse	N/A	-	345,997
Harbor management dredging project	N/A	-	77,283
Performance bonds	N/A	19,312	-
Total general fund		<u>134,832</u>	<u>433,520</u>
Harbor management dredging project	General fund	<u>77,283</u>	-
Nonmajor funds:			
Special revenue funds:			
Social workers' fund	General fund	-	891
Miscellaneous fund	General fund	-	6,147
Dog fund	General fund	-	633
Private duty fund	General fund	10,240	-
Harbor management fund	General fund	-	436
Public building improvement fund	General fund	-	834
Senior center board fund	General fund	-	2,998
Bus barn fund	General fund	-	311
Septage fund	General fund	-	103,270
Capital projects funds:			
Hains park boathouse	General fund	<u>345,997</u>	-
Total nonmajor funds		<u>356,237</u>	<u>115,520</u>
Fiduciary funds:			
Performance bonds	General fund	<u>-</u>	<u>19,312</u>
Grand total		<u>\$ 568,352</u>	<u>\$ 568,352</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
June 30, 2015

2. Interfund transfers

A summary of interfund transfers for the year ended June 30, 2015 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
Major funds:			
General fund:			
Rogers lake dam	N/A	\$ 15,014	\$ -
Land acquisition	N/A	-	75,000
Firefighters' equipment	N/A	-	130,000
Hains park boathouse	N/A	-	405,000
Septage fund	N/A	-	24,296
Bus barn fund	N/A	<u>23,240</u>	-
Total general fund		<u>38,254</u>	<u>634,296</u>
Nonmajor funds:			
Special revenue funds:			
Bus barn fund	General fund	-	23,240
Bus barn fund	Capital nonrecurring	-	13,073
Septage fund	General fund	24,296	-
Capital projects funds:			
Rogers lake dam	General fund	-	15,014
Capital nonrecurring	Bus barn fund	13,073	-
Hains park boathouse	General fund	405,000	-
Firefighters' equipment	General fund	130,000	-
Land acquisition	General fund	<u>75,000</u>	-
Total nonmajor funds		<u>647,369</u>	<u>51,327</u>
Grand total		<u>\$ 685,623</u>	<u>\$ 685,623</u>

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
June 30, 2015

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, 2014	Additions	Deductions	Balance June 30, 2015	Current Portion
Bonds - general	\$ 4,200,000	10/15/09	10/15/24	2.0% - 3.5%	\$ 3,225,000	\$ -	\$ 275,000	\$ 2,950,000	\$ 275,000
Premiums					37,219	-	3,384	33,835	-
Total bonds and related liabilities					3,262,219	-	278,384	2,983,835	275,000
Landfill postclosure costs					601,750	-	153,750	448,000	16,000
Compensated absences					123,545	129,714	89,327	163,932	129,714
Total long-term obligations					\$ 3,987,514	\$ 129,714	\$ 521,461	\$ 3,595,767	\$ 420,714

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, 2015, the outstanding bonded indebtedness of the District was \$38,910,000. The Town of Old Lyme's share will be approximately 78.9%, which totaled \$30,695,687. 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, 2015, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	300,000	5,250	305,250
Total	\$2,950,000	\$ 465,282	\$3,415,282

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2015

2. 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. The Town closed and covered its landfill. Monitoring costs and estimated repairs and maintenance for the next 28 years at \$16,000 per year are \$448,000 as of June 30, 2015. The postclosure care amounts are estimates which are subject to changes due to inflation, technology or applicable landfill laws and regulations.

3. Authorized/unissued bonds

There are no authorized/unissued bonds at June 30, 2015.

4. Statutory debt limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 71,901,520	\$ 2,950,000	\$ 68,951,520
Schools	143,803,040	30,695,687	113,107,353
Sewers	119,835,866	-	119,835,866
Urban renewal	103,857,751	-	103,857,751
Pension deficit	95,868,693	-	95,868,693

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$223,693,617.

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
June 30, 2015**F. Fund balance classifications**

As of June 30, 2015, fund balances are composed of the following:

Fund Balance Component	General Fund	Harbor Management Dredging Project	Nonmajor Funds	Total
Nonspendable:				
Prepaid items	\$ 348,029	\$ -	\$ -	\$ 348,029
Committed:				
General government	10,835	-	-	10,835
Boards and commissions	27,000	-	-	27,000
Public works	3,000	-	-	3,000
Parks and recreation	3,300	-	-	3,300
Other public safety	400	-	-	400
Fire services	30,700	-	-	30,700
Police services	4,800	-	-	4,800
Sanitation	15,000	-	-	15,000
Capital outlay	360,136	-	-	360,136
Approved CNR projects	-	-	1,269,008	1,269,008
Total Committed	455,171	-	1,269,008	1,724,179
Assigned:				
General government	-	-	18,347	18,347
Parks and recreation	-	-	37,080	37,080
Other public safety	-	-	26,665	26,665
Police services	-	-	42,362	42,362
Health services	-	-	51,286	51,286
Senior citizens	-	-	6,882	6,882
Total Assigned	-	-	182,622	182,622
Unassigned	6,827,652	-	(102)	6,827,550
Total	\$ 7,630,852	\$ -	\$ 1,451,528	\$ 9,082,380

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2015**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 Materials Innovation and Recycling 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 2015.

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
June 30, 2015

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, 2015, membership of the plan consisted of:

Current employees:	
Town	41
Regional School District No. 18	<u>164</u>
Total	<u>205</u>

For the year ended June 30, 2015, the Town and Regional School District No. 18's payroll of eligible individuals covered by the plan was \$4,840,375. Employee contributions totaled \$87,103, or 1.8%, of covered payroll and the Town and District recognized pension expense of \$387,230, or 8% of covered payroll.

The Town has no liability to the Plan at June 30, 2015.

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, 2015 was \$52,919.

Supplemental Schedules

General Fund

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



Town of Old Lyme, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Property taxes:				
Property taxes	\$ 31,406,085	\$ 31,406,085	\$ 31,708,282	\$ 302,197
Interest and lien fees	160,000	160,000	236,546	76,546
Telephone access line grant	37,000	37,000	35,407	(1,593)
Total property taxes	31,603,085	31,603,085	31,980,235	377,150
Charges for services:				
Building department	130,000	130,000	170,250	40,250
Health department	5,000	5,000	10,688	5,688
Parks and recreation department	38,500	38,500	45,000	6,500
Parking lot	115,000	115,000	98,220	(18,780)
Town Woods Park reimbursement	33,789	33,789	26,647	(7,142)
Planning commission	1,000	1,000	185	(815)
Selectmen's office	8,000	8,000	13,475	5,475
Town clerk's office	210,000	210,000	241,415	31,415
Assessor	2,000	2,000	1,648	(352)
Zoning commission	3,900	3,900	5,242	1,342
Zoning board of appeals	8,000	8,000	8,780	780
Inland/wetlands	3,000	3,000	1,980	(1,020)
Engineering/legal reimbursements	21,600	21,600	1,876	(19,724)
Historic District commission	500	500	100	(400)
Fire marshal	500	500	360	(140)
Senior center reimbursement	16,780	16,780	23,704	6,924
Recycling	-	-	424	424
Landfill	85,000	85,000	89,815	4,815
Parking fines	7,500	7,500	19,065	11,565
Cell phone tower lease	26,250	26,250	26,430	180
Beach stickers and permits	24,000	24,000	30,945	6,945
School crossing guard	15,500	15,500	15,621	121
OLVNA reimbursement	7,800	7,800	-	(7,800)
COBRA reimbursement	-	-	250	250
Ambulance fuel reimbursement	11,000	11,000	8,417	(2,583)
Pension reimbursement	3,800	3,800	720	(3,080)
Registrar reimbursement	-	-	1,840	1,840
Miscellaneous	10,010	10,010	5,205	(4,805)
Beach patrol reimbursement	10,560	10,560	7,475	(3,085)
Total charges for services	798,989	798,989	853,777	54,788
Intergovernmental:				
LOCIP	49,000	49,000	49,642	642
Historic preservation grant	5,000	5,000	5,000	-
Emergency management/FEMA	40,000	40,000	34,284	(5,716)
Education equalization grant	605,000	605,000	605,586	586
PILOT - state property	25,000	25,000	30,352	5,352
Miscellaneous state grants	5,000	5,000	11,324	6,324
PILOT - colleges	35,000	35,000	35,059	59
Mashantucket Pequot grant	12,000	12,000	15,319	3,319
Tax relief elderly	35,000	35,000	29,619	(5,381)
Veterans' tax exempt	4,000	4,000	5,552	1,552
Town aid road	230,000	230,000	229,908	(92)
DOT-SV Bike Path & Improvement grant	-	-	47,760	47,760
State police DWI and special events	52,200	52,200	35,725	(16,475)
Total intergovernmental	1,097,200	1,097,200	1,135,130	37,930
Investment income:				
Interest on investments	15,200	15,200	22,797	7,597
Total revenues	33,514,474	33,514,474	33,991,939	477,465
Other financing sources:				
Appropriation of fund balance	-	507,720	-	(507,720)
Cancellation of prior year encumbrances	-	-	24,033	24,033
Transfers in:				
Rogers Lake Dam fund	-	-	15,014	15,014
Bus barn fund	10,150	10,150	23,240	13,090
Total other financing sources	10,150	517,870	62,287	(455,583)
Total revenues and other financing sources	\$ 33,524,624	\$ 34,032,344	\$ 34,054,226	\$ 21,882

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
General government:				
Selectmen's office	\$ 232,489	\$ 232,489	\$ 222,959	\$ 9,530
Town clerk	111,800	111,800	108,098	3,702
Tax collector	92,319	92,319	90,569	1,750
Treasurer	154,203	154,203	137,802	16,401
Registrar	35,671	35,671	31,269	4,402
Information technology	84,527	84,527	75,476	9,051
Probate court	5,800	5,800	5,754	46
Assessor	122,850	122,850	120,922	1,928
Building department	99,718	99,718	97,549	2,169
Health department	195,231	195,231	180,634	14,597
Town hall	131,000	131,000	108,015	22,985
Insurance	727,000	707,555	653,751	53,804
Special deductions	394,971	394,971	366,680	28,291
Total general government	2,387,579	2,368,134	2,199,478	168,656
Boards and commissions:				
Harbor management commission	950	950	800	150
Economic development commission	20	20	-	20
Ethics commission	25	25	-	25
Water management authority	81,079	81,079	195,010	(113,931)
Board of finance	10,321	31,532	31,531	1
Flood and erosion control board	540	540	385	155
Historic district commission	4,750	4,750	3,947	803
Tree commission	17,050	17,050	15,392	1,658
Board of assessment appeals	5,640	5,640	3,672	1,968
Land use	281,787	281,787	211,076	70,711
Sound View	4,000	4,000	3,222	778
Conservation commission	4,623	4,623	566	4,057
Open space	11,300	11,300	10,231	1,069
Total boards and commissions	422,085	443,296	475,832	(32,536)
Public works:				
Public works expenditures	947,835	947,835	915,255	32,580
Parks and recreation:				
Parks and recreation	231,338	231,338	203,172	28,166
Town Woods Park	160,900	161,533	161,532	1
Fireworks/Memorial day	22,000	22,000	21,682	318
Total parks and recreation	414,238	414,871	386,386	28,485
Other public safety:				
Animal control	69,049	69,049	54,555	14,494
Emergency management	12,550	50,050	49,114	936
Valley shore communications	127,300	127,300	127,260	40
Ambulance	133,930	147,850	136,252	11,598
Total other public safety	342,829	394,249	367,181	27,068
Social services:				
Social service	17,168	17,168	15,486	1,682
Lyme's youth services	78,000	78,000	78,000	-
Total social services	95,168	95,168	93,486	1,682

(Continued)

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Fire services:				
Old Lyme fire department	\$ 228,390	\$ 228,390	\$ 217,965	\$ 10,425
Fire protection	28,350	28,350	26,610	1,740
Fire marshal	62,799	62,799	60,762	2,037
Firemen's incentive plan	64,900	64,900	56,494	8,406
Total fire services	384,439	384,439	361,831	22,608
Police services:				
Roger lake patrol	8,275	8,275	7,808	467
Resident state police	133,900	141,270	141,270	-
Municipal police	719,922	719,922	650,760	69,162
Total police services	862,097	869,467	799,838	69,629
Health services:				
Social services agencies	3,292	3,292	3,292	-
VNA	60,332	60,332	60,123	209
Total health services	63,624	63,624	63,415	209
Senior citizens' activities:				
Estuary transit district	12,695	12,695	12,695	-
Estuary services	33,150	33,150	33,150	-
Senior center	79,904	79,904	79,119	785
Total senior citizens' activities	125,749	125,749	124,964	785
Other associations	325,500	325,500	325,500	-
Sanitation:				
Municipal refuse collection	376,817	376,817	384,684	(7,867)
Single stream recycling	190,338	190,338	198,012	(7,674)
CT Resources Recovery Authority	242,000	242,000	183,768	58,232
Recycling	35,720	35,720	28,789	6,931
Household hazardous waste	24,600	24,600	20,776	3,824
Transfer station	236,374	239,635	239,635	-
Total sanitation	1,105,849	1,109,110	1,055,664	53,446
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	2,924	6,076
Total chartered associations	101,300	101,300	95,224	6,076
Regional School District No. 18	24,649,113	24,649,113	24,649,113	-
Redemption of debt:				
Town Hall expansion	275,000	275,000	275,000	-

(Continued)

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Interest on debt:				
Town Hall expansion	\$ 88,563	\$ 88,563	\$ 88,563	\$ -
Capital outlay:				
General government	134,500	165,900	148,220	17,680
Public works	174,000	180,870	180,869	1
Public safety	216,635	216,635	186,399	28,236
Public works roads and projects	173,500	173,500	172,680	820
Total capital outlay	698,635	736,905	690,168	46,737
Total expenditures	33,289,603	33,392,323	32,966,898	425,425
Other financing uses:				
Transfers out:				
Firefighters' equipment	130,000	130,000	130,000	-
Hains Park Boathouse	-	405,000	405,000	-
Septage fund	30,021	30,021	24,296	5,725
Land Acquisition	75,000	75,000	75,000	-
Total other financing uses	235,021	640,021	634,296	5,725
Total expenditures and other financing uses	\$ 33,524,624	\$ 34,032,344	\$ 33,601,194	\$ 431,150

(Concluded)

Town of Old Lyme, Connecticut
 Report of Property Tax Collector
 Year Ended June 30, 2015

Grand List Year	Uncollected Taxes July 1, 2014	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2015	
			Additions	Deductions			Taxes	Interest	Lien Fees	Total		
Suspense	\$ -	\$ -	\$ 3,436	\$ -	\$ -	\$ 3,436	\$ 3,436	\$ 3,228	\$ -	\$ -	\$ 6,664	\$ -
1998	2	-	-	2	-	-	-	-	-	-	-	-
1999	3	-	-	-	3	3	3	7	24	24	34	-
2000	13	-	-	-	13	13	13	31	24	24	68	-
2001	161	-	-	-	161	14	14	30	24	24	68	147
2002	145	-	-	-	145	14	14	29	24	24	67	131
2003	15	-	-	-	15	15	15	28	24	24	67	-
2004	1,826	-	-	-	1,826	1,826	1,826	1,018	48	48	2,892	-
2005	2,218	-	-	-	2,218	2,218	2,218	3,491	48	48	5,757	-
2006	3,771	-	-	-	3,771	2,268	2,268	3,261	48	48	5,577	1,503
2007	9,611	-	-	-	9,611	6,532	6,532	3,003	72	72	9,607	3,079
2008	17,013	-	-	-	17,013	12,187	12,187	12,463	48	48	24,698	4,826
2009	34,222	-	-	107	34,115	17,438	17,438	11,608	192	192	29,238	16,577
2010	108,226	-	-	153	92,316	61,580	61,580	28,638	528	528	90,746	30,736
2011	180,648	-	-	1,624	179,024	81,107	81,107	36,928	840	840	118,875	97,917
2012	377,123	-	-	4,448	372,675	215,995	215,995	41,244	1,368	1,368	258,607	156,680
Total Prior Years	734,997	-	3,436	6,334	15,757	716,342	404,646	145,007	3,312	3,312	552,965	311,696
2013	-	31,837,891	19,243	136,341	-	31,720,793	31,315,038	88,124	104	104	31,403,266	405,755
Total	\$ 734,997	\$ 31,837,891	\$ 22,679	\$ 142,675	\$ 15,757	\$ 32,437,135	\$ 31,719,684	\$ 233,131	\$ 3,416	\$ 3,416	\$ 31,956,231	\$ 717,451

Nonmajor Governmental Funds

Special Revenue Funds

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

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, 2015

	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	Senior Center Board Fund	Septage Fund	Bus Barn Fund	
Assets											
Cash	\$ 56,177	\$ -	\$ 31,914	\$ -	\$ 19,268	\$ 18,248	\$ 19,181	\$ 9,880	\$ 94,118	\$ 209	\$ 248,995
Receivables:											
Other	-	13,804	-	32,122	-	-	-	-	9,152	-	55,078
Due from other funds	-	-	-	10,240	-	-	-	-	-	-	10,240
Total assets	\$ 56,177	\$ 13,804	\$ 31,914	\$ 42,362	\$ 19,268	\$ 18,248	\$ 19,181	\$ 9,880	\$ 103,270	\$ 209	\$ 314,313
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	891	6,147	4,616	-	436	-	834	2,998	103,270	311	115,520
Due to other funds	4,000	7,657	633	-	-	-	-	-	-	-	11,657
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	4,891	13,804	5,249	-	436	-	834	2,998	103,270	311	131,793
Fund balances:											
Assigned	51,286	-	26,665	42,362	18,832	18,248	18,347	6,882	-	-	182,622
Unassigned	-	-	-	-	-	-	-	-	-	(102)	(102)
Total fund balances	51,286	-	26,665	42,362	18,832	18,248	18,347	6,882	-	(102)	182,520
Total liabilities and fund balances	\$ 56,177	\$ 13,804	\$ 31,914	\$ 42,362	\$ 19,268	\$ 18,248	\$ 19,181	\$ 9,880	\$ 103,270	\$ 209	\$ 314,313

(Continued)

Town of Old Lyme, Connecticut
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Rogers Lake Dam	Total	
Assets								
Cash	\$ 178,762	\$ 52,506	\$ 421,054	\$ 270,889	\$ -	\$ -	\$ 923,011	\$ 1,172,006
Receivables:								
Other	-	-	-	-	-	-	-	55,078
Due from other funds	-	-	-	-	345,997	-	345,997	356,237
Total assets	\$ 178,762	\$ 52,506	\$ 421,054	\$ 270,889	\$ 345,997	\$ -	\$ 1,269,008	\$ 1,583,321
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,616
Due to other funds	-	-	-	-	-	-	-	115,520
Unearned revenue	-	-	-	-	-	-	-	11,657
Total liabilities	-	-	-	-	-	-	-	131,793
Fund balances:								
Committed	178,762	52,506	421,054	270,889	345,997	-	1,269,008	1,269,008
Assigned	-	-	-	-	-	-	-	182,622
Unassigned	-	-	-	-	-	-	-	(102)
Total fund balances	178,762	52,506	421,054	270,889	345,997	-	1,269,008	1,451,528
Total liabilities and fund balances	\$ 178,762	\$ 52,506	\$ 421,054	\$ 270,889	\$ 345,997	\$ -	\$ 1,269,008	\$ 1,583,321

(Concluded)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015

	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	Senior Center Board Fund	Septage Fund	Bus Barn Fund	
Revenues:											
Charges for services	\$ -	\$ 3,920	\$ 10,920	\$ 62,519	\$ 5,550	\$ -	\$ 4,289	\$ 25,201	\$ 103,270	\$ 50,026	\$ 295,645
Intergovernmental	-	25,154	-	-	-	-	-	-	-	-	25,154
Investment income	-	-	40	-	27	27	33	-	-	19	146
Contributions	9,187	2,923	-	-	-	-	-	-	-	-	12,110
Other revenue	-	22,424	-	-	-	-	-	-	-	-	22,424
Total revenues	9,187	54,421	10,960	62,519	5,577	27	4,272	25,201	103,270	50,045	325,479
Expenditures:											
Current:											
General government	-	28,282	-	-	-	-	8,128	-	-	311	36,721
Parks and recreation	-	985	-	-	4,381	-	-	-	-	-	5,366
Other public safety	-	-	5,249	-	-	-	-	-	-	-	5,249
Police services	-	-	-	56,131	-	-	-	-	-	-	56,131
Health services	2,047	25,154	-	-	-	-	-	-	-	-	27,201
Senior citizens	-	-	-	-	-	-	-	35,468	-	-	35,468
Sanitation	-	-	-	-	-	-	-	-	127,566	-	127,566
Debt service	-	-	-	-	-	-	-	-	-	13,687	13,687
Total expenditures	2,047	54,421	5,249	56,131	4,381	-	8,128	35,468	127,566	13,988	307,389
Excess (deficiency) of revenues over expenditures	7,140	-	5,711	6,388	1,196	27	(3,856)	(10,267)	(24,296)	36,047	18,090
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	-	-	24,296	-	24,296
Transfers out	-	-	-	-	-	-	-	-	-	(36,313)	(36,313)
Net other financing sources (uses)	-	-	-	-	-	-	-	-	24,296	(36,313)	(12,017)
Net change in fund balances	7,140	-	5,711	6,388	1,196	27	(3,856)	(10,267)	-	(266)	6,073
Fund balances - July 1, 2014	44,146	-	20,954	35,974	17,636	18,221	22,203	17,149	-	154	176,447
Fund balances - June 30, 2015	\$ 51,286	\$ -	\$ 26,665	\$ 42,362	\$ 18,832	\$ 18,248	\$ 18,347	\$ 6,882	\$ -	\$ (102)	\$ 182,520

(Continued)

Town of Old Lyme, Connecticut
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2015

	Capital Projects Funds							Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Rogers Lake Dam	Total	
Revenues:								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,645
Intergovernmental	-	-	-	-	-	-	-	25,154
Investment income	269	4,963	225	92	-	-	5,549	5,695
Contributions	-	-	-	-	50,800	-	50,800	62,910
Other revenue	-	-	-	-	-	-	-	22,424
Total revenues	269	4,963	225	92	50,800	-	56,349	361,828
Expenditures:								
Current:								
General government	-	63,529	30	-	-	-	63,559	100,280
Parks and recreation	-	-	-	-	100,455	-	100,455	105,821
Other public safety	-	-	-	-	-	-	-	5,249
Police services	-	-	-	-	-	-	-	56,131
Health services	-	-	-	-	-	-	-	27,201
Senior citizens	-	-	-	-	-	-	-	35,488
Sanitation	-	-	-	-	-	-	-	127,566
Debt service	-	-	-	-	-	-	-	13,687
Total expenditures	-	63,529	30	-	100,455	-	164,014	471,403
Excess (deficiency) of revenues over expenditures	269	(58,566)	195	92	(49,655)	-	(107,665)	(89,575)
Other financing sources (uses):								
Transfers in	-	13,073	75,000	130,000	405,000	-	623,073	647,369
Transfers out	-	-	-	-	-	(15,014)	(15,014)	(51,327)
Net other financing sources (uses)	-	13,073	75,000	130,000	405,000	(15,014)	608,059	596,042
Net change in fund balances	269	(45,493)	75,195	130,092	355,345	(15,014)	500,394	506,467
Fund balances - July 1, 2014	178,493	97,999	345,859	140,597	(9,348)	15,014	768,614	945,061
Fund balances - June 30, 2015	\$ 178,762	\$ 52,506	\$ 421,054	\$ 270,689	\$ 345,997	\$ -	\$ 1,269,008	\$ 1,451,528

(Concluded)

Fiduciary Funds

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

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

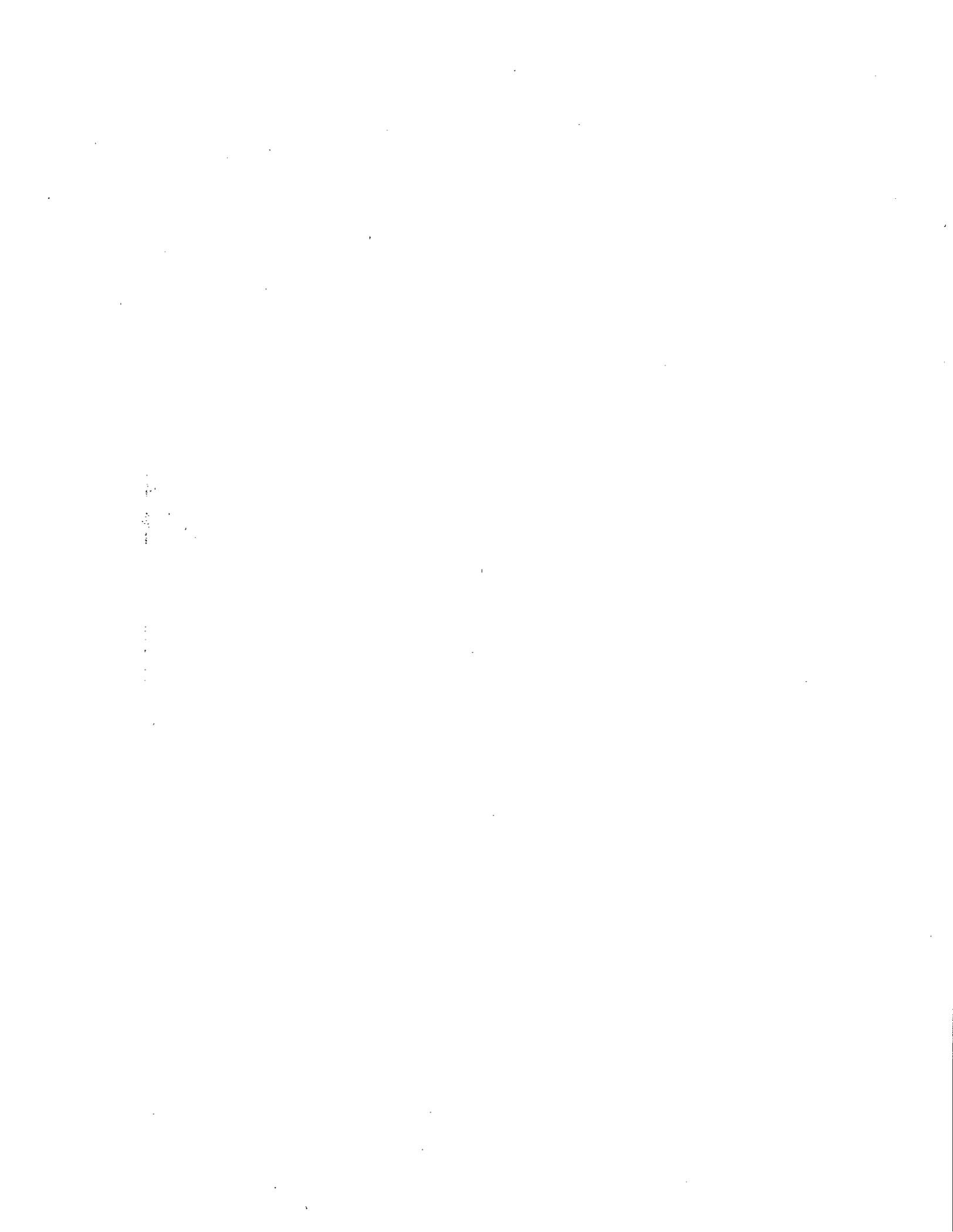
Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).



Town of Old Lyme, Connecticut

Agency Funds
Combining Statement of Changes in Asset and Liabilities
Year Ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
<u>Asset</u>				
Cash:				
Performance bonds	<u>\$ 406,203</u>	<u>\$ 10,754</u>	<u>\$ 43,079</u>	<u>\$ 373,878</u>
 <u>Liabilities</u>				
Accounts payable:				
Performance bonds	\$ 386,891	\$ 10,754	\$ 43,079	\$ 354,566
Due to other funds:				
Performance bonds	<u>19,312</u>	<u>-</u>	<u>-</u>	<u>19,312</u>
Total liabilities	<u>\$ 406,203</u>	<u>\$ 10,754</u>	<u>\$ 43,079</u>	<u>\$ 373,878</u>



Trend Information

Table 1

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ 15,825,169	\$ 15,512,237	\$ 14,653,770	\$ 13,302,576	\$ 12,172,355	\$ 11,009,816	\$ 8,973,379	\$ 8,270,851	\$ 7,795,442	\$ 7,683,152
Restricted for:										
Capital projects	9,167,351	8,024,680	7,070,073	6,699,214	5,806,440	353,191	531,684	531,684	3,177,416	-
Unrestricted	-	-	-	-	5,806,440	4,545,445	4,645,126	5,713,427	1,456,952	3,929,657
Total net position	\$ 24,992,520	\$ 23,536,917	\$ 21,733,843	\$ 20,001,790	\$ 17,978,795	\$ 15,998,452	\$ 14,750,189	\$ 14,515,962	\$ 12,429,810	\$ 11,612,809

Table 2

Town of Old Lyme, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
General government	\$ 2,870,319	\$ 2,828,319	\$ 2,390,703	\$ 2,708,122	\$ 2,426,842	\$ 2,443,785	\$ 2,276,960	\$ 1,859,107	\$ 2,031,995	\$ 1,919,901
Public works	1,324,016	1,306,797	1,345,789	1,275,043	1,238,937	1,476,780	1,220,869	1,046,150	1,454,936	1,107,903
Parks and recreation	491,930	494,022	382,947	427,992	386,002	417,593	396,256	463,884	322,253	330,462
Other public safety	403,934	330,743	658,678	351,199	488,654	307,029	313,692	273,302	508,695	626,482
Social services	93,486	90,972	83,896	84,466	83,955	79,808	81,355	74,889	70,223	66,645
Fire services	464,308	510,386	463,464	761,967	698,564	642,124	589,697	624,176	414,250	289,557
Police services	1,153,081	1,152,650	1,104,710	886,192	791,869	819,740	897,176	735,102	742,553	673,391
Health services	150,831	149,969	156,327	156,946	150,025	138,107	138,107	297,434	287,771	287,771
Senior citizens	218,980	189,045	108,339	71,189	67,520	66,359	73,206	76,235	66,372	56,188
Sanitation	1,014,480	1,087,838	1,389,954	818,219	1,076,571	1,057,786	1,122,251	2,559,865	1,013,162	1,054,130
Education	24,649,113	24,314,363	24,253,158	23,285,508	22,632,353	22,467,474	22,326,280	21,593,555	21,001,614	19,907,714
Interest expense	84,037	92,090	138,124	110,426	107,182	99,624	206,575	110,596	48,909	21,980
Total expenses	32,918,415	32,547,234	32,516,089	31,074,744	30,000,569	30,025,670	30,141,809	29,717,397	27,974,338	26,236,124
Program revenues										
Charges for services:										
General government	488,966	543,511	515,669	467,346	414,045	437,569	448,809	538,175	571,402	550,471
Public works	4,239	4,728	7,898	6,357	8,190	109,465	104,630	100,141	60,393	68,293
Parks and recreation	198,812	207,337	215,018	252,141	208,841	161,921	126,664	74,881	137,318	103,221
Other public safety	19,337	18,376	17,987	9,369	15,589	9,682	11,137	8,678	8,665	11,964
Social services	-	-	-	-	-	-	-	-	-	-
Fire services	89,059	49,359	70,117	145,922	73,473	43,640	400	45,278	21,740	28,108
Police services	10,688	14,904	15,425	13,290	10,432	4,435	4,755	13,173	5,192	6,074
Health services	48,905	54,155	13,668	7,159	7,287	7,994	26,043	219,057	4,825	4,022
Senior citizens	193,509	165,702	223,304	351,026	238,107	187,618	215,435	814,569	167,659	194,234
Sanitation	65,647	64,571	65,054	64,461	63,755	-	-	-	-	-
Education	749,675	963,519	1,029,382	1,154,206	980,837	747,876	1,069,701	691,174	700,984	696,890
Operating grants and contributions	279,550	793,642	793,262	248,927	185,441	397,590	51,860	-	48,100	420,693
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total program revenues	2,148,647	2,890,204	2,969,154	2,720,564	2,086,847	2,079,050	2,143,846	2,452,524	1,724,279	2,083,960
Net expenses:										
Governmental activities	(30,769,768)	(29,657,030)	(29,546,935)	(28,354,180)	(27,913,722)	(27,948,620)	(27,997,963)	(27,264,863)	(26,250,059)	(24,152,164)
Property taxes	31,962,357	31,275,151	31,072,048	30,203,776	29,739,653	29,475,784	28,690,299	27,280,725	26,437,868	24,513,393
Grants and contributions not restricted to specific programs	225,785	167,440	180,466	142,982	178,588	198,473	170,751	196,051	180,686	222,446
Investment income	14,805	12,223	14,604	15,956	27,619	50,447	166,310	393,473	393,840	277,385
Gain on sale of land and building	-	-	-	-	-	-	25,060	-	-	-
Miscellaneous	22,424	15,290	11,850	14,461	38,205	40,179	14,748	231,779	54,666	60,680
Total general revenues	32,225,371	31,470,104	31,278,988	30,377,175	29,984,065	29,704,683	29,067,166	28,102,028	27,067,060	25,073,904
Change in net position	\$ 1,455,603	\$ 1,803,074	\$ 1,732,053	\$ 2,022,995	\$ 2,070,343	\$ 1,758,263	\$ 1,069,203	\$ 837,165	\$ 817,001	\$ 921,740

Town of Old Lyme, Connecticut

Schedule of Debt Limitation
Year Ended June 30, 2015

Total tax collections (including interest and lien fees):

For the year ended June 30, 2015 \$ 31,956,231

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 71,901,520	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	143,803,040	-	-	-
3 3/4 times base	-	-	119,835,866	-	-
3 1/4 times base	-	-	-	103,857,751	-
3 times base	-	-	-	-	95,868,693
Total debt limitation	<u>71,901,520</u>	<u>143,803,040</u>	<u>119,835,866</u>	<u>103,857,751</u>	<u>95,868,693</u>
Indebtedness:					
Bonds payable	2,950,000	-	-	-	-
Town's share of Regional School District No. 18 debt	-	30,695,687	-	-	-
Total indebtedness	<u>2,950,000</u>	<u>30,695,687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of indebtedness	<u>\$ 68,951,520</u>	<u>\$ 113,107,353</u>	<u>\$ 119,835,866</u>	<u>\$ 103,857,751</u>	<u>\$ 95,868,693</u>

NOTES: (1) The total of the above net indebtedness amounts to: \$ 33,645,687

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 223,693,617

**State
Single
Audit**

Town of Old Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2015

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core CT Number	Expenditures
Office of Policy and Management:		
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	\$ 197
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	29,421
Property Tax Relief for Veterans	11000-OPM20600-17024	5,552
Local Capital Improvement Program	12050-OPM20600-40254	49,195
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	35,059
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	30,352
Municipal Grants-In-Aid	12052-OPM20600-43587	1,776
Department of Education:		
Youth Services Bureau	11000-SDE64000-17052	20,217
Youth Services Bureau Enhancement	11000-SDE64000-16201	4,937
Department of Emergency Services & Public Protection:		
Nuclear Safety Fund CT Yankee	12060-DPS32982-30464	1,614
Nuclear Safety Fund Dominion	12060-DPS32982-30465	18,561
Nuclear Emergency Safety Fund	12060-DPS32982-90428	10,306
Department of Transportation:		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455-34005	229,908
Deep Water Ports and Marina	12052-DOT57801-43509	31,816
Connecticut State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	5,000
Total State Financial Assistance before Exempt Programs		473,911
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64000-17041-82010	605,586
Office of Policy and Management:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	15,319
Total State Financial Assistance		<u>\$ 1,094,816</u>

Town of Old Lyme, Connecticut

Note to Schedule of Expenditures of State Financial Assistance June 30, 2015

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, 2015. 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, 2015**

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, 2015

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	12052-DOT57131-43455-34005	\$229,908
Office of Policy and Management: Local Capital Improvement Program	12050-OPM20600-40254	49,195
Dollar threshold used to distinguish between type A and type B programs:		\$100,000

Town of Old Lyme, Connecticut

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

II. Financial Statement Findings:

None

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, 2015, 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 28, 2015.

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 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.



Hartford, Connecticut
December 28, 2015



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, 2015. 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, 2015.

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.



Hartford, Connecticut
December 28, 2015

