

Annual Financial Report
of the
Town of Old Lyme, Connecticut
Year Ended June 30, 2014

Town of Old Lyme, Connecticut

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Town of Old Lyme, Connecticut

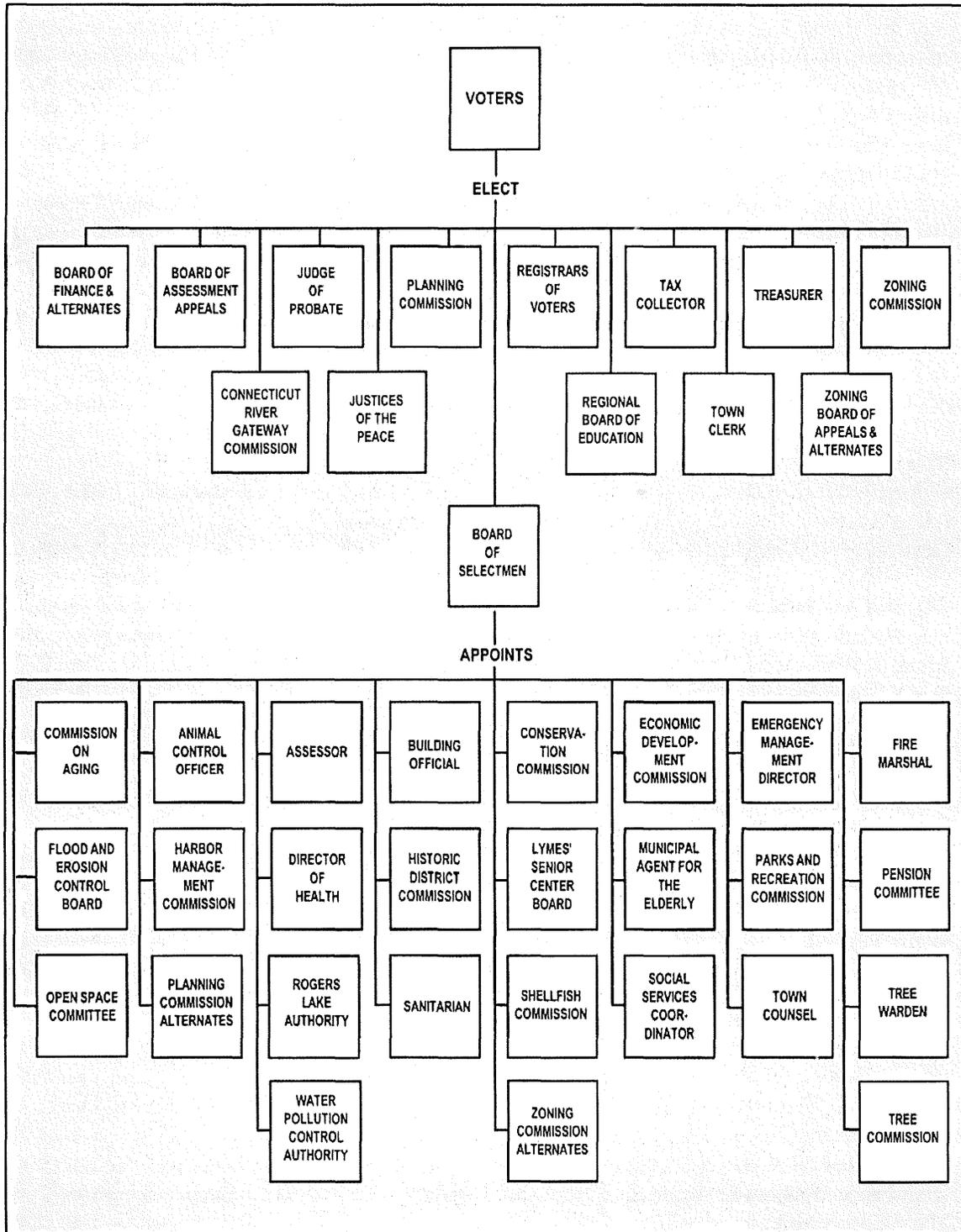
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Introductory Section

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, 2014, 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, 2014, 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 17, 2014, 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".

New London, Connecticut
December 17, 2014



TOWN OF OLD LYME

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Management's Discussion and Analysis Year Ended June 30, 2014

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, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2014 fiscal year by \$23,536,917. Of this amount, \$8,024,680 (*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 \$1,803,074. The most significant reasons for the increase were the substantial additions to capital assets in excess of depreciation expense and positive general fund operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,036,336, an increase of \$997,603 in comparison with the prior year.
- At the end of the 2014 fiscal year, unassigned fund balance for the general fund was \$6,544,463, or 20.0% of total general fund expenditures and transfers out.
- The Town's total long-term obligations decreased by \$393,282 (9.0%) during the 2014 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 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, landfill closure and harbor management dredging project, which are considered to be major funds. Data from the 15 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 \$23,536,917 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (65.91%) 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, 2014 and 2013**

	2014	2013
Current and other assets	\$ 9,412,230	\$ 8,602,425
Capital assets (net)	<u>18,774,456</u>	<u>18,314,373</u>
Total Assets	<u>28,186,686</u>	<u>26,916,798</u>
Other liabilities	960,190	1,214,000
Long-term liabilities	<u>3,579,964</u>	<u>3,881,261</u>
Total Liabilities	<u>4,540,154</u>	<u>5,095,261</u>
Deferred inflows of resources	<u>109,615</u>	<u>87,694</u>
Net position:		
Net investment in capital assets	15,512,237	14,663,770
Unrestricted	<u>8,024,680</u>	<u>7,070,073</u>
Total Net Position	<u>\$ 23,536,917</u>	<u>\$ 21,733,843</u>

Unrestricted net position (\$8,024,680) 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 \$1,803,074.

**Town of Old Lyme Change in Net Position
Years Ended June 30, 2014 and 2013**

	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,123,043	\$ 1,144,510
Operating grants and contributions	963,519	1,029,382
Capital grants and contributions	793,642	795,262
General revenues:		
Property taxes	31,275,151	31,072,048
Grants and contributions not restricted to specific programs	167,440	180,486
Investment income	12,223	14,604
Miscellaneous	<u>15,290</u>	<u>11,850</u>
Total Revenues	<u>34,350,308</u>	<u>34,248,142</u>
Expenses:		
General government	2,828,319	2,390,703
Public works	1,306,797	1,345,789
Parks and recreation	494,022	382,947
Other public safety	330,743	658,678
Social services	90,972	83,896
Fire services	510,386	453,464
Police services	1,152,650	1,104,710
Health services	149,989	156,327
Senior citizens	189,045	108,339
Sanitation	1,087,838	1,399,954
Education	24,314,383	24,293,158
Interest expense	<u>92,090</u>	<u>138,124</u>
Total expenses	<u>32,547,234</u>	<u>32,516,089</u>
Increase in net position	1,803,074	1,732,053
Net position - July 1	<u>21,733,843</u>	<u>20,001,790</u>
Net position - June 30	<u>\$23,536,917</u>	<u>\$21,733,843</u>

The key elements of this increase are as follows:

- Property taxes (including interest and liens) increased by \$203,103 (.7%) during the year. This increase is due to the increase in the overall budget appropriation.
- General government expenditures increased by \$437,616 (18.3%) due to the Revaluation Project costs as well as full year effects of staff changes in Health Department.
- Sanitation decreased by \$312,116 (22.3%) due to the costs related to closing the landfill in the prior year.

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 \$8,036,336, an increase of \$997,603 in comparison with the prior year. Approximately 81.3% of this total amount (\$6,535,115) 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 (\$178,186), Committed (\$1,146,588) and Assigned (\$176,447).

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 \$6,544,463, while total fund balance reached \$7,091,275. 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 20.0% of total general fund expenditures and transfers out, while total fund balance represents 21.7% of that same amount.

The fund balance of the Town's general fund increased by \$1,299,822 during the current fiscal year. The increase is comprised as follows:

- Property taxes collected exceeded the budgeted amount by \$433,411
- Charges for services exceeded the budget amount by \$160,629
 - Building Department \$51,564
 - Town Clerk of \$39,087
 - Landfill of \$26,640
 - Sale of Capital Assets of \$22,117
- FEMA grants exceeded budgeted amount by \$71,552
- Miscellaneous State Grants (such as the CT Riverway Trail Grant of \$10,829 and OPM Revenue Sharing Grant of \$35,093) exceeded budgeted amounts by \$47,290
- DEEP-Clean Water Fund Grant reimbursement exceeded budget amount by \$82,449

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$203,150. The increases in appropriations are detailed as follows:

- o WPCA-Stormwater Regulation Consulting \$15,500
- o Capital-Facility Assessment Study \$9,100
- o Capital-Dry Hydrant Project \$15,000
- o Capital-OSHA set up \$2,050
- o Capital-Parking Kiosks \$13,000
- o Capital-Sound View/Bike Path Design \$148,500

Landfill Closure

This fund accounts for financial resources to be used for the closure and postclosure care of the Town’s landfill. During the year ended June 30, 2014, the expenditures totaled \$9,927.

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, 2014, the expenditures totaled \$74,243.

Capital Assets and Debt Administration

Capital assets. The Town’s investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$18,774,456 (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 \$460,083 or 2.5%. Major capital asset events during the current fiscal year included the following:

- Public Works purchased a backhoe loader \$107,175
- The Town accepted one land donation \$224,000
- The Town is in the process of completing Rogers Lake Dam \$258,397

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

	<u>2014</u>	<u>2013</u>
Land	\$ 3,647,356	\$ 3,423,356
Works of art	251,000	251,000
Construction in progress	429,603	87,569
Buildings and improvements	5,737,499	5,810,792
Land improvements	1,213,533	1,242,684
Machinery, vehicles and equipment	3,588,519	3,737,298
Infrastructure	<u>3,906,946</u>	<u>2,761,674</u>
Total	<u>\$ 18,774,456</u>	<u>\$ 18,314,373</u>

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

Long-term and short-term debt. At the end of the current fiscal year, the Town had bonded debt outstanding of \$3,225,000. All debt is backed by the full faith and credit of the Town.

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

	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ <u>3,225,000</u>	\$ <u>3,475,000</u>

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$219,310,588, 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 2014 was 4.6%. This compares favorably with the Norwich/New London labor market area's unemployment rate of 6.6% and the State of Connecticut's rate of 6.5% for the same period. While the unemployment rates for the State and Norwich/New London labor market decreased 1.6% and 1.6%, respectively, for the period from June 2013 to June 2014 due to current national economic conditions, the rates for Old Lyme also decreased by 1.8%.

It is anticipated that the Town of Old Lyme's portion of the Regional School District No. 18 operating budget will increase by 1.4% due to the increase in debt associated with the high school renovations currently underway 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, Revaluation, the purchase of a loader and State Police required radios. 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 2015 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, 2014

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash	\$ 2,486,469
Investments	5,833,560
Receivables:	
Property taxes	427,324
Intergovernmental	58,724
Other	66,258
Prepaid amounts	<u>178,186</u>
Total current assets	<u>9,050,521</u>
Noncurrent assets:	
Receivables (net):	
Property taxes	<u>361,709</u>
Capital assets (net of accumulated depreciation):	
Land	3,647,356
Works of art	251,000
Construction in progress	429,603
Buildings and improvements	5,737,499
Land improvements	1,213,533
Machinery, vehicles and equipment	3,588,519
Infrastructure	<u>3,906,946</u>
Total capital assets (net of depreciation)	<u>18,774,456</u>
Total noncurrent assets	<u>19,136,165</u>
Total assets	<u>28,186,686</u>

(Continued)

Town of Old Lyme, Connecticut

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 247,469
Accrued liabilities	145,068
Accrued interest payable	18,961
Unearned revenue	141,142
Bonds and related liabilities	275,000
Compensated absences	111,800
Landfill postclosure costs	20,750
	<hr/>
Total current liabilities	960,190
	<hr/>
Noncurrent liabilities:	
Bonds and related liabilities	2,987,219
Compensated absences	11,745
Landfill postclosure costs	581,000
	<hr/>
Total noncurrent liabilities	3,579,964
	<hr/>
Total liabilities	4,540,154
	<hr/>
<u>Deferred Inflows of Resources</u>	
Advanced property tax collections	<hr/> 109,615
<u>Net Position</u>	
Net investment in capital assets	15,512,237
Unrestricted	<hr/> 8,024,680
	<hr/>
Total net position	\$ 23,536,917
	<hr/> <hr/>

(Concluded)

Town of Old Lyme, Connecticut

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 2,828,319	\$ 543,511	\$ 195,028	\$ 514,000	\$ (1,575,780)
Public works	1,306,797	4,728	-	279,642	(1,022,427)
Parks and recreation	494,022	207,337	-	-	(286,685)
Other public safety	330,743	18,376	111,552	-	(200,815)
Social services	90,972	-	-	-	(90,972)
Fire services	510,386	400	-	-	(509,986)
Police services	1,152,650	49,359	43,008	-	(1,060,283)
Health services	149,989	14,904	8,345	-	(126,740)
Senior citizens	189,045	54,155	-	-	(134,890)
Sanitation	1,087,838	165,702	-	-	(922,136)
Education	24,314,383	64,571	605,586	-	(23,644,226)
Interest expense	92,090	-	-	-	(92,090)
Total	\$ 32,547,234	\$ 1,123,043	\$ 963,519	\$ 793,642	\$ (29,667,030)
General revenues:					
Property taxes					\$ 31,275,151
Grants and contributions not restricted to specific programs					167,440
Investment income					12,223
Miscellaneous					15,290
Total general revenues					31,470,104
Change in net position					1,803,074
Net position - July 1, 2013					21,733,843
Net position - June 30, 2014					\$ 23,536,917

Town of Old Lyme, Connecticut

Balance Sheet
Governmental Funds
June 30, 2014

	General	Landfill Closure	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 1,806,737	\$ -	\$ -	\$ 679,732	\$ 2,486,469
Investments	5,469,783	-	-	363,777	5,833,560
Receivables:					
Property taxes	734,997	-	-	-	734,997
Intergovernmental	49,642	-	-	9,082	58,724
Other	33,495	-	-	13,451	46,946
Due from other funds	141,197	-	109,099	48,715	299,011
Prepaid amounts	178,186	-	-	-	178,186
Total assets	\$ 8,414,037	-	109,099	1,114,757	9,637,893
<u>Liabilities</u>					
Accounts payable	\$ 211,886	\$ -	\$ -	\$ 35,583	\$ 247,469
Accrued liabilities	145,068	-	-	-	145,068
Due to other funds	157,814	-	-	121,885	279,699
Unearned revenue	19,815	-	109,099	12,228	141,142
Total liabilities	534,583	-	109,099	169,696	813,378
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	678,564	-	-	-	678,564
Advanced property tax collections	109,615	-	-	-	109,615
Total deferred inflows of resources	788,179	-	-	-	788,179
<u>Fund Balances</u>					
Nonspendable	178,186	-	-	-	178,186
Committed	368,626	-	-	777,962	1,146,588
Assigned	-	-	-	176,447	176,447
Unassigned	6,544,463	-	-	(9,348)	6,535,115
Total fund balances	7,091,275	-	-	945,061	8,036,336
Total liabilities, deferred inflows of resources and fund balances	\$ 8,414,037	\$ -	\$ 109,099	\$ 1,114,757	\$ 9,637,893

(Continued)

Town of Old Lyme, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2014

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)	\$ 8,036,336
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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	19,271,232
Depreciation expense	(424,903)
Disposal of capital assets	(71,873)

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	193,036
Property tax receivable - accrual basis change	678,564
Allowance for doubtful accounts	(139,000)

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(3,225,000)
Bonds premium	(37,219)
Compensated absences	(123,545)
Landfill postclosure costs	(601,750)
Accrued interest payable	(18,961)
	(4,006,475)

Net position of governmental activities	<u>\$ 23,536,917</u>
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(Concluded)

Town of Old Lyme, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014**

	General	Landfill Closure	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 31,324,083	\$ -	\$ -	\$ -	\$ 31,324,083
Charges for services	994,556	-	-	128,487	1,123,043
Intergovernmental	1,293,677	-	74,243	263,986	1,631,906
Investment income	18,723	324	-	4,668	23,715
Contributions	-	-	-	68,695	68,695
Other revenue	-	-	-	15,290	15,290
Total revenues	<u>33,631,039</u>	<u>324</u>	<u>74,243</u>	<u>481,126</u>	<u>34,186,732</u>
Expenditures:					
Current:					
General government	2,179,939	-	-	169,624	2,349,563
Boards and commissions	303,601	-	-	-	303,601
Public works	919,866	-	-	-	919,866
Parks and recreation	362,615	-	74,243	5,456	442,314
Other public safety	316,365	-	-	16,155	332,520
Social services	90,972	-	-	-	90,972
Fire services	342,695	-	-	-	342,695
Police services	780,392	-	-	18,982	799,374
Health services	63,072	-	-	28,427	91,499
Senior citizens	120,659	-	-	15,036	135,695
Other associations	313,000	-	-	-	313,000
Sanitation	1,098,661	9,927	-	-	1,108,588
Chartered associations	97,585	-	-	-	97,585
Education	24,314,383	-	-	-	24,314,383
Capital outlay	786,725	-	-	267,745	1,054,470
Debt service	343,812	-	-	149,192	493,004
Total expenditures	<u>32,434,342</u>	<u>9,927</u>	<u>74,243</u>	<u>670,617</u>	<u>33,189,129</u>
Excess (deficiency) of revenues over expenditures	<u>1,196,697</u>	<u>(9,603)</u>	<u>-</u>	<u>(189,491)</u>	<u>997,603</u>
Other financing sources (uses):					
Transfers in	318,125	-	-	228,863	546,988
Transfers out	<u>(215,000)</u>	<u>(284,380)</u>	<u>-</u>	<u>(47,608)</u>	<u>(546,988)</u>
Net other financing sources (uses)	<u>103,125</u>	<u>(284,380)</u>	<u>-</u>	<u>181,255</u>	<u>-</u>
Net change in fund balances	1,299,822	(293,983)	-	(8,236)	997,603
Fund balances - July 1, 2013	<u>5,791,453</u>	<u>293,983</u>	<u>-</u>	<u>953,297</u>	<u>7,038,733</u>
Fund balances - June 30, 2014	<u>\$ 7,091,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 945,061</u>	<u>\$ 8,036,336</u>

Town of Old Lyme, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2014**

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)	\$ 997,603
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>	
Capital outlay	732,859
Donated capital assets	224,000
Depreciation expense	<u>(424,903)</u>
Total	<u>531,956</u>
<p>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</p>	
	<u>(71,873)</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Change in property tax receivable - accrual basis change	(45,764)
Change in property tax interest and lien revenue	(25,168)
Change in allowance for doubtful accounts	<u>22,000</u>
Total	<u>(48,932)</u>
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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:</p>	
Debt issued or incurred:	
Principal payments	385,000
Premiums	<u>3,384</u>
Total	<u>388,384</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>	
Compensated absences	(15,852)
Landfill closure and postclosure	20,750
Accrued interest payable	<u>1,038</u>
Total	<u>5,936</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,803,074</u>

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Property taxes	\$ 30,890,672	\$ 30,890,672	\$ 31,324,083	\$ 433,411
Charges for services	833,927	833,927	994,556	160,629
Intergovernmental	1,102,232	1,102,232	1,293,677	191,445
Investment income	<u>15,280</u>	<u>15,280</u>	<u>18,723</u>	<u>3,443</u>
Total revenues	<u>32,842,111</u>	<u>32,842,111</u>	<u>33,631,039</u>	<u>788,928</u>
Expenditures:				
Current:				
General government	2,299,008	2,290,513	2,179,017	111,496
Boards and commissions	349,946	349,846	298,143	51,703
Public works	905,998	911,866	911,866	-
Parks and recreation	405,170	377,834	357,793	20,041
Other public safety	343,275	342,275	314,232	28,043
Social services	91,838	91,538	90,972	566
Fire services	361,003	361,130	346,818	14,312
Police services	820,540	812,064	780,120	31,944
Health services	63,080	63,080	63,072	8
Senior citizens' activities	110,348	120,659	120,659	-
Other associations	313,000	313,000	313,000	-
Sanitation	1,142,233	1,158,633	1,098,661	59,972
Chartered associations	101,300	101,300	97,585	3,715
Regional School District No. 18	24,314,383	24,314,383	24,314,383	-
Debt service:				
Redemption of debt	250,000	250,000	250,000	-
Interest on debt	93,813	93,813	93,812	1
Capital outlay	<u>673,176</u>	<u>889,327</u>	<u>857,010</u>	<u>32,317</u>
Total expenditures	<u>32,638,111</u>	<u>32,841,261</u>	<u>32,487,143</u>	<u>354,118</u>
Excess (deficiency) of revenues over expenditures	<u>204,000</u>	<u>850</u>	<u>1,143,896</u>	<u>1,143,046</u>
Other financing sources (uses):				
Appropriation of fund balance	-	203,150	-	(203,150)
Cancellation of prior year encumbrances	-	-	49,284	49,284
Transfers in	11,000	11,000	318,125	307,125
Transfers out	<u>(215,000)</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>(204,000)</u>	<u>(850)</u>	<u>152,409</u>	<u>153,259</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,296,305	<u>\$ 1,296,305</u>
Fund balance - July 1, 2013			<u>5,426,344</u>	
Fund balance - June 30, 2014			<u>\$ 6,722,649</u>	

Town of Old Lyme, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash	\$ -	\$ 406,203
Investments, at fair value:		
Guaranteed interest contract	2,562,420	-
Bond mutual funds	341,614	-
Equity mutual funds	4,702,119	-
Total investments	7,606,153	-
Accounts receivable	133,553	-
Total assets	7,739,706	406,203
<u>Liabilities</u>		
Liabilities:		
Accounts payable	-	386,891
Due to other funds	-	19,312
Total liabilities	-	406,203
Net position held in trust for pension benefits	\$ 7,739,706	\$ -

Town of Old Lyme, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 402,240
Plan members	<u>78,550</u>
Total contributions	<u>480,790</u>
Investment income:	
Interest	220
Net change in fair value of investments	<u>953,622</u>
Total investment income	953,842
Less investment expenses	<u>5,243</u>
Net investment income	<u>948,599</u>
Total additions	<u>1,429,389</u>
Deductions:	
Benefits	208,802
Refunds	<u>17,561</u>
Total deductions	<u>226,363</u>
Change in net position	1,203,026
Net position - July 1, 2013	<u>6,536,680</u>
Net position - June 30, 2014	<u><u>\$ 7,739,706</u></u>

Town of Old Lyme, Connecticut

Notes to Financial Statements

June 30, 2014

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, 2014

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

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

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

The Pension Trust Fund 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, 2014**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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

- 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 \$203,150 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, 2014	\$ 32,487,143	\$ 6,722,649
Encumbrances outstanding at June 30, 2013 liquidated during the fiscal year	217,850	-
Encumbrances outstanding at June 30, 2013 and 2014	-	97,975
Encumbrances outstanding at June 30, 2014 charged to budgetary expenditures during the fiscal year	<u>(270,651)</u>	<u>270,651</u>
Balance, GAAP basis, Exhibit D - June 30, 2014	<u>\$ 32,434,342</u>	<u>\$ 7,091,275</u>

C. Excess of expenditures over appropriations

During the year ended June 30, 2014, there were no general fund department expenditures that exceeded appropriations.

D. Deficit fund balance

The following fund had a deficit fund balance at June 30, 2014.

<u>Capital projects fund</u>	
Hains Park Boathouse	<u>\$ 9,348</u>

Future intergovernmental revenues will be used to fund the deficit.

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2014

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, 2014, \$5,367,209 of the Town's bank balance of \$6,117,209 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$4,755,488
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>611,721</u>
Total amount subject to custodial credit risk	<u>\$5,367,209</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, 2014, the Town's investments consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (in Years)			
		N/A	Less than 1 Year	1-5 Years	6-10 Years
Bank money market accounts	\$ 3,210,696	\$ -	\$ 3,210,696	\$ -	\$ -
Pooled fixed income	2,622,864	-	2,622,864	-	-
Guaranteed interest contract	2,562,420	-	-	-	2,562,420
Bond mutual funds	341,614	-	-	341,614	-
Equity mutual funds	4,702,119	4,702,119	-	-	-
Total	<u>\$ 13,439,713</u>	<u>\$ 4,702,119</u>	<u>\$ 5,833,560</u>	<u>\$ 341,614</u>	<u>\$ 2,562,420</u>

Of the \$2,622,864 of pooled fixed income, \$2,012,859 was invested in the Short Term Investment Fund ("STIF"). STIF is an investment pool managed by the State of Connecticut Office of the State Treasurer. The balance was invested in a 2a-7 like pool, which operates within State Statutes. The fair value of the position in the pool is the same as the value of the pool shares.

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

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2014

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

Average Rating	Pooled Fixed Income	Guaranteed Interest Contract	Bond Mutual Funds
AAA	\$ 2,622,864	\$ -	\$ 341,614
AA	-	2,562,420	-
Total	\$ 2,622,864	\$ 2,562,420	\$ 341,614

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, 2014, 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, 2014, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 312,499	\$ 114,825	\$ 427,324
Long-term portion	\$ 422,498	\$ 78,211	\$ 500,709
Less allowance for uncollectible	(110,000)	(29,000)	(139,000)
Net long-term portion	\$ 312,498	\$ 49,211	\$ 361,709

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2014**C. Capital assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,423,356	\$ 224,000	\$ -	\$ 3,647,356
Works of art	251,000	-	-	251,000
Construction in progress	87,569	342,034	-	429,603
Total capital assets, not being depreciated	<u>3,761,925</u>	<u>566,034</u>	<u>-</u>	<u>4,309,959</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	5,426,416	195,825	112,219	5,510,022
Infrastructure	4,162,204	195,000	-	4,357,204
Total capital assets, being depreciated	<u>17,585,093</u>	<u>390,825</u>	<u>112,219</u>	<u>17,863,699</u>
Total capital assets	<u>21,347,018</u>	<u>956,859</u>	<u>112,219</u>	<u>22,191,658</u>
Less accumulated depreciation for:				
Buildings and improvements	640,361	73,293	-	713,654
Land improvements	302,636	29,151	-	331,787
Machinery, vehicles and equipment	1,689,118	272,731	40,346	1,921,503
Infrastructure	400,530	49,728	-	450,258
Total accumulated depreciation	<u>3,032,645</u>	<u>424,903</u>	<u>40,346</u>	<u>3,417,202</u>
Total capital assets, being depreciated, net	<u>14,552,448</u>	<u>(34,078)</u>	<u>71,873</u>	<u>14,446,497</u>
Governmental activities capital assets, net	<u>\$ 18,314,373</u>	<u>\$ 531,956</u>	<u>\$ 71,873</u>	<u>\$ 18,774,456</u>

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

General government	\$ 133,614
Public works	106,646
Parks and recreation	32,211
Other public safety	1,066
Fire services	119,669
Police services	24,914
Senior citizens	<u>6,783</u>
Total depreciation expense	<u>\$ 424,903</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, 2014**D. Interfund accounts****1. Interfund payables and receivables**

A summary of interfund balances as of June 30, 2014 is as follows:

	Corresponding Fund	Due from	Due to
Major funds:			
General fund:			
Social workers' fund	N/A	\$ 96	\$ -
Miscellaneous fund	N/A	8,043	-
Dog fund	N/A	45	-
Private duty fund	N/A	-	29,712
Harbor management fund	N/A	399	-
Public building improvement fund	N/A	3,260	-
Senior center board fund	N/A	2,768	-
Capital nonrecurring	N/A	97,926	-
Hains Park Boathouse	N/A	9,348	-
Rogers lake dam	N/A	-	19,003
Harbor management dredging project	N/A	-	109,099
Performance bonds	N/A	19,312	-
Total general fund		<u>141,197</u>	<u>157,814</u>
Harbor management dredging project	General fund	<u>109,099</u>	-
Nonmajor funds:			
Special revenue funds:			
Social workers' fund	General fund	-	96
Miscellaneous fund	General fund	-	8,043
Dog fund	General fund	-	45
Private duty fund	General fund	29,712	-
Harbor management fund	General fund	-	399
Public building improvement fund	General fund	-	3,260
Senior center board fund	General fund	-	2,768
Capital projects funds:			
Capital nonrecurring	General fund	-	97,926
Hains Park Boathouse	General fund	-	9,348
Rogers lake dam	General fund	19,003	-
Total nonmajor funds		<u>48,715</u>	<u>121,855</u>
Fiduciary funds:			
Performance bonds	General fund	-	19,312
Grand total		<u>\$ 299,011</u>	<u>\$ 299,011</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, 2014**2. Interfund transfers**

A summary of interfund transfers for the year ended June 30, 2014 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
Major funds:			
General fund:			
Capital nonrecurring	N/A	\$ -	\$ 10,000
Land acquisition	N/A	-	75,000
Firefighters' equipment	N/A	-	130,000
Town hall expansion project	N/A	9,100	-
Landfill closure	N/A	284,380	-
Bus barn fund	N/A	24,645	-
		<u>318,125</u>	<u>215,000</u>
Total general fund		<u>318,125</u>	<u>215,000</u>
Landfill closure	General fund	-	<u>284,380</u>
Nonmajor funds:			
Special revenue funds:			
Bus barn fund	General fund	-	24,645
Bus barn fund	Capital nonrecurring	-	13,863
Capital projects funds:			
Capital nonrecurring	General fund	10,000	-
Capital nonrecurring	Bus barn fund	13,863	-
Land acquisition	General fund	75,000	-
Firefighters' equipment	General fund	130,000	-
Town hall expansion project	General fund	-	9,100
		<u>228,863</u>	<u>47,608</u>
Total nonmajor funds		<u>228,863</u>	<u>47,608</u>
Grand total		<u>\$ 546,988</u>	<u>\$ 546,988</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, 2014

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, 2013	Additions	Deductions	Balance June 30, 2014	Current Portion
Bonds - general	\$ 4,200,000	10/15/09	10/15/24	2.0% - 3.5%	\$ 3,475,000	\$ -	\$ 250,000	\$ 3,225,000	\$ 275,000
Premiums					40,603	-	3,384	37,219	-
Total bonds and related liabilities					3,515,603	-	253,384	3,262,219	275,000
Note payable	405,000	6/15/2011	6/15/2014	2%	135,000	-	135,000	-	-
Landfill postclosure costs					622,500	-	20,750	601,750	20,750
Compensated absences					107,693	111,800	95,948	123,545	111,800
Total long-term obligations					<u>\$ 4,380,796</u>	<u>\$ 111,800</u>	<u>\$ 505,082</u>	<u>\$ 3,987,514</u>	<u>\$ 407,550</u>

Old Lyme is a member of the Regional School District No. 18, which provides education facilities for grades pre-k through twelve for the Towns of Lyme and Old Lyme. As of June 30, 2014, the outstanding bonded indebtedness of the District was \$43,075,000. The Town of Old Lyme's share will be approximately 79.1%, which totaled \$34,072,325. 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, 2014, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 275,000	\$ 88,563	\$ 363,563
2016	275,000	82,719	357,719
2017	275,000	76,188	351,188
2018	300,000	69,000	369,000
2019	300,000	61,125	361,125
2020	300,000	52,500	352,500
2021	300,000	43,500	343,500
2022	300,000	34,500	334,500
2023	300,000	25,125	325,125
2024	300,000	15,375	315,375
2025	<u>300,000</u>	<u>5,250</u>	<u>305,250</u>
Total	<u>\$3,225,000</u>	<u>\$ 553,845</u>	<u>\$3,778,845</u>

Town of Old Lyme, Connecticut

Notes to Financial Statements

June 30, 2014

2. Note payable

The Town had a note payable to Mr. Steven Ames which was paid off as of June 30, 2014. The proceeds of the note were used to purchase 81± acres off Evergreen Trail. The note accrued interest of 2% per annum.

3. Landfill closure and postclosure care costs

State and Federal laws and regulations require that the Town of Old Lyme place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town closed and covered its landfill. Monitoring costs and estimated repairs and maintenance for the next 29 years at \$20,750 per year are \$601,750 as of June 30, 2014. The postclosure care amounts are estimates which are subject to changes due to inflation, technology or applicable landfill laws and regulations.

4. Authorized/unissued bonds

There are no authorized/unissued bonds at June 30, 2014.

5. Statutory debt limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 70,492,689	\$ 3,225,000	\$ 67,267,689
Schools	140,985,378	34,072,325	106,913,053
Sewers	117,487,815	-	117,487,815
Urban renewal	101,822,773	-	101,822,773
Pension deficit	93,990,252	-	93,990,252

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$219,310,588.

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, 2014**F. Fund balance classifications**

As of June 30, 2014, fund balances are composed of the following:

Fund Balance Component	General Fund	Landfill Closure	Harbor Management Dredging Project	Nonmajor Funds	Total
Nonspendable:					
Prepaid Items	\$ 178,186	\$ -	\$ -	\$ -	\$ 178,186
Committed:					
General government	12,500	-	-	-	12,500
Parks and recreation	7,700	-	-	-	7,700
Fire services	7,333	-	-	-	7,333
Police services	2,330	-	-	-	2,330
Capital outlay	338,763	-	-	-	338,763
Approved CNR projects	-	-	-	777,962	777,962
Total Committed	368,626	-	-	777,962	1,146,588
Assigned:					
General government	-	-	-	22,367	22,367
Parks and recreation	-	-	-	35,857	35,857
Other public safety	-	-	-	20,954	20,954
Police services	-	-	-	35,974	35,974
Health services	-	-	-	44,146	44,146
Senior citizens	-	-	-	17,149	17,149
Total Assigned	-	-	-	176,447	176,447
Unassigned	6,544,463	-	-	(9,348)	6,535,115
Total	\$ 7,091,275	\$ -	\$ -	\$ 945,061	\$ 8,036,336

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2014**IV. Other information****A. Risk management**

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

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

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

B. Commitments and litigation

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

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

The Town has entered into a service agreement with Connecticut Resources Recovery Authority for disposal of solid waste. As part of this agreement, the Town is obligated to provide minimum tonnage for each billing period, or be required to pay a penalty in lieu of minimum tonnage, if the project total does not meet the minimum tonnage requirement. There was no minimum tonnage assessment for 2014.

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, 2014

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, 2014, membership of the plan consisted of:

Current employees:	
Town	45
Regional School District No. 18	<u>179</u>
Total	<u>224</u>

For the year ended June 30, 2014, the Town and Regional School District No. 18's payroll of eligible individuals covered by the plan was \$5,028,000. The Town and District contributed \$402,240, or 8%, while the employees contributed \$78,550, or 1.56%, of covered payroll.

4. Defined contribution volunteer firefighters' retirement plan

Plan description

The volunteer firefighters participate in a defined contribution plan; however, the assets are not held in the Town's name. Although not required, it has been the Town's policy in the past years to fund all pension costs accrued in the current year. The Town's contribution during the year ended June 30, 2014 was \$54,560.

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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Property taxes:				
Property taxes	\$ 30,713,672	\$ 30,713,672	\$ 31,037,184	\$ 323,512
Interest and lien fees	140,000	140,000	250,576	110,576
Telephone access line grant	37,000	37,000	36,323	(677)
Total property taxes	30,890,672	30,890,672	31,324,083	433,411
Charges for services:				
Building department	125,000	125,000	176,564	51,564
Health department	4,500	4,500	5,382	882
Parks and recreation department	50,000	50,000	35,190	(14,810)
Parking lot	112,000	112,000	110,148	(1,852)
Town Woods Park	32,643	32,643	31,349	(1,294)
Planning commission	1,000	1,000	740	(260)
Selectmen's office	8,000	8,000	14,725	6,725
Town clerk's office	200,000	200,000	239,087	39,087
Assessor	2,000	2,000	1,991	(9)
Zoning commission	3,900	3,900	16,016	12,116
Zoning board of appeals	8,000	8,000	6,836	(1,164)
Inland/wetlands	3,000	3,000	2,990	(10)
Engineering/legal reimbursements	21,600	21,600	3,804	(17,796)
Historic District commission	500	500	200	(300)
Fire marshal	500	500	400	(100)
Senior center	13,809	13,809	21,970	8,161
Septage transfer	45,000	45,000	58,072	13,072
Recycling	1,000	1,000	215	(785)
Landfill	80,775	80,775	107,415	26,640
Parking fines	7,500	7,500	16,418	8,918
Cell phone tower lease	25,680	25,680	28,303	2,623
Beach stickers and permits	24,000	24,000	30,650	6,650
Capital asset proceeds	10	10	22,127	22,117
School crossing guard	15,200	15,200	14,571	(629)
OLVNA reimbursement	6,100	6,100	9,522	3,422
Ambulance fuel reimbursement	11,000	11,000	9,474	(1,526)
Workers' compensation reimbursement	-	-	12,878	12,878
Registrar reimbursement	-	-	2,125	2,125
Miscellaneous	12,010	12,010	7,320	(4,690)
Beach patrol reimbursement	19,200	19,200	8,074	(11,126)
Total charges for services	833,927	833,927	994,556	160,629
Intergovernmental:				
LOCIP	63,278	63,278	49,642	(13,636)
Historic preservation grant	3,000	3,000	4,000	1,000
Emergency management/FEMA	40,000	40,000	111,552	71,552
Education equalization grant	635,055	635,055	605,586	(29,469)
PILOT - state property	-	-	28,161	28,161
Miscellaneous state grants	5,000	5,000	52,290	47,290
PILOT - colleges	34,058	34,058	34,022	(36)
Mashantucket Pequot grant	-	-	13,598	13,598
Tax relief elderly	37,000	37,000	35,510	(1,490)
Veterans' tax exempt	4,000	4,000	3,859	(141)
Town aid road	230,141	230,141	230,000	(141)
DEEP-Clean Water Fund	-	-	82,449	82,449
State police DWI and special events	50,700	50,700	43,008	(7,692)
Total intergovernmental	1,102,232	1,102,232	1,293,677	191,445
Investment income:				
Interest on investments	15,280	15,280	18,723	3,443
Total revenues	32,842,111	32,842,111	33,631,039	788,928
Other financing sources:				
Appropriation of fund balance	-	203,150	-	(203,150)
Cancellation of prior year encumbrances	-	-	49,284	49,284
Transfers in:				
Landfill closure fund	-	-	284,380	284,380
Town Hall expansion project	-	-	9,100	9,100
Bus barn fund	11,000	11,000	24,645	13,645
Total other financing sources	11,000	214,150	367,409	153,259
Total revenues and other financing sources	\$ 32,853,111	\$ 33,056,261	\$ 33,998,448	\$ 942,187

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
General government:				
Selectmen's office	\$ 230,124	\$ 228,124	\$ 225,519	\$ 2,605
Town clerk	111,402	109,402	107,723	1,679
Tax collector	88,848	89,058	89,057	1
Treasurer	153,611	152,511	148,682	3,829
Registrar	33,701	33,301	27,685	5,616
Information technology	79,060	78,435	74,507	3,928
Probate court	5,300	5,300	5,231	69
Assessor	124,378	123,278	119,882	3,396
Building department	97,515	96,815	95,330	1,485
Health department	190,969	190,369	188,543	1,826
Town hall	109,600	128,420	118,145	10,275
Insurance	688,000	669,000	619,018	49,982
Special deductions	386,500	386,500	359,695	26,805
Total general government	2,299,008	2,290,513	2,179,017	111,496
Boards and commissions:				
Harbor management commission	949	949	801	148
Economic development commission	20	20	-	20
Ethics commission	25	25	-	25
Water management authority	25,713	41,213	37,617	3,596
Board of finance	10,471	10,471	7,563	2,908
Flood and erosion control board	540	540	375	165
Historic district commission	4,750	4,750	4,417	333
Tree commission	17,050	17,050	15,487	1,563
Board of assessment appeals	1,045	1,045	690	355
Land use	279,195	263,595	225,017	38,578
Sound View	1,825	1,825	479	1,346
Conservation commission	3,463	3,463	1,337	2,126
Open space	4,900	4,900	4,360	540
Total boards and commissions	349,946	349,846	298,143	51,703
Public works:				
Public works expenditures	905,998	911,866	911,866	-
Parks and recreation:				
Parks and recreation	228,270	209,020	191,669	17,351
Town Woods Park	155,400	147,314	145,592	1,722
Fireworks/Memorial day	21,500	21,500	20,532	968
Total parks and recreation	405,170	377,834	357,793	20,041
Other public safety:				
Animal control	68,180	67,680	54,802	12,878
Emergency management	13,100	12,600	8,820	3,780
Valley shore communications	128,065	128,065	127,137	928
Ambulance	133,930	133,930	123,473	10,457
Total other public safety	343,275	342,275	314,232	28,043
Social services:				
Social service	16,838	16,538	15,972	566
Lyme's youth services	75,000	75,000	75,000	-
Total social services	91,838	91,538	90,972	566

(Continued)

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Fire services:				
Old Lyme fire department	\$ 211,455	\$ 211,455	\$ 203,182	\$ 8,273
Fire protection	26,800	26,927	26,926	1
Fire marshal	61,682	61,682	58,155	3,527
Firemen's incentive plan	61,066	61,066	58,555	2,511
Total fire services	361,003	361,130	346,818	14,312
Police services:				
Roger lake patrol	8,175	8,175	7,990	185
Resident state police	120,500	128,259	128,259	-
Municipal police	691,865	675,630	643,871	31,759
Total police services	820,540	812,064	780,120	31,944
Health services:				
Social services agencies	2,692	2,692	2,692	-
VNA	60,388	60,388	60,380	8
Total health services	63,080	63,080	63,072	8
Senior citizens' activities:				
Estuary transit district	12,090	12,090	12,090	-
Estuary services	32,500	32,500	32,500	-
Senior center	65,758	76,069	76,069	-
Total senior citizens' activities	110,348	120,659	120,659	-
Other associations	313,000	313,000	313,000	-
Sanitation:				
Municipal refuse collection	347,911	347,911	347,911	-
Single stream recycling	175,718	175,718	175,718	-
CT Resources Recovery Authority	237,000	237,000	190,012	46,988
Recycling	29,920	46,247	46,247	-
Household hazardous waste	24,508	24,508	21,381	3,127
Transfer station	224,676	224,176	214,319	9,857
Septage	102,500	103,073	103,073	-
Total sanitation	1,142,233	1,158,633	1,098,661	59,972
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	5,285	3,715
Total chartered associations	101,300	101,300	97,585	3,715
Regional School District No. 18	24,314,383	24,314,383	24,314,383	-
Redemption of debt:				
Town Hall expansion	250,000	250,000	250,000	-

(Continued)

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Interest on debt:				
Town Hall expansion	\$ 93,813	\$ 93,813	\$ 93,812	\$ 1
Capital outlay:				
General government	184,700	377,502	377,501	1
Public works	120,000	126,299	126,299	-
Public safety	153,476	170,526	144,940	25,586
Public works roads and projects	215,000	215,000	208,270	6,730
Total capital outlay	673,176	889,327	857,010	32,317
Total expenditures	32,638,111	32,841,261	32,487,143	354,118
Other financing uses:				
Transfers out:				
Firefighters' equipment	130,000	130,000	130,000	-
Land acquisition	75,000	75,000	75,000	-
Capital nonrecurring	10,000	10,000	10,000	-
Total other financing uses	215,000	215,000	215,000	-
Total expenditures and other financing uses	\$ 32,853,111	\$ 33,056,261	\$ 32,702,143	\$ 354,118

(Concluded)

Town of Old Lyme, Connecticut
 Report of Property Tax Collector
 Year Ended June 30, 2014

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Grand List Year	Uncollected Taxes July 1, 2013	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2014
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
Suspense	\$ -	\$ -	\$ 1,299	\$ -	\$ -	\$ 1,299	\$ 1,299	\$ 1,944	\$ -	\$ 3,243	\$ -
1997	845	-	-	845	-	-	-	-	-	-	-
1998	2	-	-	-	-	2	-	-	-	-	2
1999	3	-	-	-	-	3	-	-	-	-	3
2000	13	-	-	-	-	13	-	-	-	-	13
2001	161	-	-	-	-	161	-	-	-	-	161
2002	145	-	-	-	-	145	-	-	-	-	145
2003	89	-	-	74	-	15	-	-	-	-	15
2004	1,927	-	-	101	-	1,826	-	-	-	-	1,826
2005	2,326	-	-	108	-	2,218	-	-	-	-	2,218
2006	8,960	-	-	111	-	8,849	5,078	880	72	6,030	3,771
2007	23,913	-	-	116	-	23,797	14,186	12,130	144	26,460	9,611
2008	42,150	-	-	119	-	42,031	25,018	19,218	336	44,572	17,013
2009	95,603	-	-	337	12,930	82,336	48,114	20,719	552	69,385	34,222
2010	236,003	-	7	1,238	-	234,772	126,546	50,077	648	177,271	108,226
2011	440,298	-	1,190	3,725	-	437,763	257,115	53,058	1,416	311,589	180,648
Total Prior Years	852,438	-	2,496	6,774	12,930	835,230	477,356	158,026	3,168	638,550	357,874
2012	-	31,113,140	73,370	207,235	-	30,979,275	30,602,152	89,358	24	30,691,534	377,123
Total	\$ 852,438	\$ 31,113,140	\$ 75,866	\$ 214,009	\$ 12,930	\$ 31,814,505	\$ 31,079,508	\$ 247,384	\$ 3,192	\$ 31,330,084	\$ 734,997

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, 2014

	Special Revenue Funds									
	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	Bus Bam Fund	Total
<u>Assets</u>										
Cash	\$ 48,242	\$ -	\$ 25,338	\$ -	\$ 18,035	\$ 18,221	\$ 25,463	\$ 19,917	\$ 164	\$ 155,380
Receivables:										
Intergovernmental	-	9,082	-	-	-	-	-	-	-	9,082
Other	-	7,189	-	6,262	-	-	-	-	-	13,451
Due from other funds	-	-	-	29,712	-	-	-	-	-	29,712
Total assets	<u>\$ 48,242</u>	<u>\$ 16,271</u>	<u>\$ 25,338</u>	<u>\$ 35,974</u>	<u>\$ 18,035</u>	<u>\$ 18,221</u>	<u>\$ 25,463</u>	<u>\$ 19,917</u>	<u>\$ 164</u>	<u>\$ 207,625</u>
<u>Liabilities and Fund Balances</u>										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 4,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,339
Due to other funds	96	8,043	45	-	399	-	3,260	2,768	-	14,611
Unearned revenue	4,000	8,228	-	-	-	-	-	-	-	12,228
Total liabilities	4,096	16,271	4,384	-	399	-	3,260	2,768	-	31,178
Fund balances:										
Assigned	44,146	-	20,954	35,974	17,636	18,221	22,203	17,149	164	176,447
Total liabilities and fund balances	<u>\$ 48,242</u>	<u>\$ 16,271</u>	<u>\$ 25,338</u>	<u>\$ 35,974</u>	<u>\$ 18,035</u>	<u>\$ 18,221</u>	<u>\$ 25,463</u>	<u>\$ 19,917</u>	<u>\$ 164</u>	<u>\$ 207,625</u>

(Continued)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Rogers Lake Dam	Total
<u>Assets</u>							
Cash	\$ 178,493	\$ -	\$ 345,859	\$ -	\$ -	\$ -	\$ 524,352
Investments		223,180	-	140,597	-	-	363,777
Receivables:							
Intergovernmental	-	-	-	-	-	-	9,082
Other	-	-	-	-	-	-	13,451
Due from other funds	-	-	-	-	-	19,003	48,715
Total assets	\$ 178,493	\$ 223,180	\$ 345,859	\$ 140,597	\$ -	\$ 19,003	\$ 1,114,757
<u>Liabilities and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts payable	\$ -	\$ 27,255	\$ -	\$ -	\$ -	\$ 3,989	\$ 35,583
Due to other funds	-	97,926	-	-	9,348	-	121,885
Unearned revenue	-	-	-	-	-	-	12,228
Total liabilities	-	125,181	-	-	9,348	3,989	169,696
<u>Fund balances:</u>							
Committed	178,493	97,999	345,859	140,597	-	15,014	777,962
Assigned	-	-	-	-	-	-	176,447
Unassigned	-	-	-	-	(9,348)	-	(9,348)
Total fund balances	178,493	97,999	345,859	140,597	(9,348)	15,014	945,061
Total liabilities and fund balances	\$ 178,493	\$ 223,180	\$ 345,859	\$ 140,597	\$ -	\$ 19,003	\$ 1,114,757

(Concluded)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

Special Revenue Funds

	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	Bus Barn Fund	Total
Revenues:										
Charges for services	\$ -	\$ 2,980	\$ 8,902	\$ 24,867	\$ 4,825	\$ -	\$ 4,728	\$ 32,185	\$ 50,000	\$ 128,487
Intergovernmental	-	34,236	-	-	-	-	-	-	-	34,236
Investment income	-	-	38	-	27	31	48	-	22	166
Contributions	8,345	-	-	-	-	-	100	-	-	8,445
Other revenue	-	15,290	-	-	-	-	-	-	-	15,290
Total revenues	8,345	52,506	8,940	24,867	4,852	31	4,876	32,185	50,022	186,624
Expenditures:										
Current:										
General government.	-	18,270	-	-	-	-	10,986	-	-	29,256
Parks and recreation	-	-	-	-	5,456	-	-	-	-	5,456
Other public safety	-	9,082	7,073	-	-	-	-	-	-	16,155
Police services	-	-	-	18,982	-	-	-	-	-	18,982
Health services	3,273	25,154	-	-	-	-	-	-	-	28,427
Senior citizens	-	-	-	-	-	-	-	15,036	-	15,036
Debt service	-	-	-	-	-	-	-	-	11,492	11,492
Total expenditures	3,273	52,506	7,073	18,982	5,456	-	10,986	15,036	11,492	124,804
Excess (deficiency) of revenues over expenditures	5,072	-	1,867	5,885	(604)	31	(6,110)	17,149	38,530	61,820
Other financing sources (uses):										
Transfers out	-	-	-	-	-	-	-	-	(38,508)	(38,508)
Net change in fund balances	5,072	-	1,867	5,885	(604)	31	(6,110)	17,149	22	23,312
Fund balances - July 1, 2013	39,074	-	19,087	30,089	18,240	18,190	28,313	-	142	153,135
Fund balances - June 30, 2014	\$ 44,146	\$ -	\$ 20,954	\$ 35,974	\$ 17,636	\$ 18,221	\$ 22,203	\$ 17,149	\$ 164	\$ 176,447

(Continued)

Town of Old Lyme, Connecticut
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Rogers Lake Dam	
Revenues:							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,487
Intergovernmental	-	-	-	-	-	229,750	263,986
Investment income	306	4,154	41	1	-	4,502	4,668
Contributions	-	-	-	-	-	60,250	68,695
Other revenue	-	-	-	-	-	-	15,290
Total revenues	306	4,154	41	1	-	290,000	481,126
Expenditures:							
Current:							
General government	-	135,182	5,186	-	-	-	140,368
Parks and recreation	-	-	-	-	-	-	5,456
Other public safety	-	-	-	-	-	-	16,155
Police services	-	-	-	-	-	-	18,982
Health services	-	-	-	-	-	-	28,427
Senior citizens	-	-	-	-	-	-	15,036
Capital outlay	-	-	-	-	9,348	258,397	267,745
Debt service	-	-	137,700	-	-	-	149,192
Total expenditures	-	135,182	142,886	-	9,348	258,397	670,617
Excess (deficiency) of revenues over expenditures	306	(131,028)	(142,845)	1	(9,348)	31,603	(189,491)
Other financing sources (uses):							
Transfers in	-	23,863	75,000	130,000	-	-	228,863
Transfers out	(9,100)	-	-	-	-	-	(47,608)
Net other financing sources (uses)	(9,100)	23,863	75,000	130,000	-	-	181,255
Net change in fund balances	(8,794)	(107,165)	(67,845)	130,001	(9,348)	31,603	(8,236)
Fund balances - July 1, 2013	187,287	205,164	413,704	10,596	-	(16,589)	953,297
Fund balances - June 30, 2014	\$ 178,493	\$ 97,999	\$ 345,859	\$ 140,597	\$ (9,348)	\$ 15,014	\$ 945,061

(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, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Asset</u>				
Cash:				
Performance bonds	<u>\$ 426,624</u>	<u>\$ 120,643</u>	<u>\$ 141,064</u>	<u>\$ 406,203</u>
<u>Liabilities</u>				
Accounts payable:				
Performance bonds	\$ 407,312	\$ 120,643	\$ 141,064	\$ 386,891
Due to other funds:				
Performance bonds	<u>19,312</u>	<u>-</u>	<u>-</u>	<u>19,312</u>
Total liabilities	<u>\$ 426,624</u>	<u>\$ 120,643</u>	<u>\$ 141,064</u>	<u>\$ 406,203</u>

Trend Information

Table 1

Town of Old Lyme, Connecticut

Net Position by Component
Last Ten Years
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:										
Net investment in capital assets	\$ 15,512,237	\$ 14,663,770	\$ 13,302,576	\$ 12,172,355	\$ 11,009,816	\$ 8,973,379	\$ 8,270,851	\$ 7,795,442	\$ 7,683,152	\$ 7,111,863
Restricted for:										
Capital projects	-	-	-	-	353,191	531,684	531,684	3,177,416	-	-
Unrestricted	8,024,680	7,070,073	6,699,214	5,806,440	4,545,445	4,645,126	5,713,427	1,456,952	3,929,657	3,579,206
Total net position	<u>\$ 23,536,917</u>	<u>\$ 21,733,843</u>	<u>\$ 20,001,790</u>	<u>\$ 17,978,795</u>	<u>\$ 15,908,452</u>	<u>\$ 14,150,189</u>	<u>\$ 14,515,962</u>	<u>\$ 12,429,810</u>	<u>\$ 11,612,809</u>	<u>\$ 10,691,069</u>

Table 2

Town of Old Lyme, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
General government	\$ 2,828,319	\$ 2,390,703	\$ 2,708,122	\$ 2,426,942	\$ 2,443,785	\$ 2,776,360	\$ 1,859,107	\$ 2,031,935	\$ 1,819,901	\$ 1,844,942
Public works	1,306,797	1,345,789	1,275,043	1,238,387	1,476,780	1,220,859	1,045,150	1,454,938	1,107,903	1,079,281
Parks and recreation	494,022	382,947	427,992	386,002	417,593	396,256	453,884	322,253	330,462	278,165
Other public safety	330,743	658,678	488,654	351,199	307,029	313,692	273,302	508,695	626,482	485,970
Social services	90,972	83,896	84,466	83,955	79,808	81,350	74,689	70,223	66,645	70,463
Fire services	510,386	453,464	761,987	698,564	642,124	589,697	624,176	414,250	283,557	291,630
Police services	1,152,650	1,104,710	886,192	781,859	819,740	897,176	735,102	742,553	673,391	629,447
Health services	149,989	156,327	156,946	150,025	147,568	138,107	311,626	297,434	287,771	280,395
Senior citizens	189,045	108,339	71,189	67,520	66,359	73,206	76,235	68,372	56,188	50,465
Sanitation	1,087,838	1,399,954	818,219	1,076,571	1,057,786	1,122,251	2,559,965	1,013,162	1,054,130	944,823
Education	24,314,383	24,293,158	23,285,508	22,632,353	22,467,474	22,326,280	21,593,555	21,001,614	19,907,714	19,154,498
Interest expense	92,090	138,124	110,426	107,192	99,624	206,575	110,596	48,909	21,980	27,234
Total expenses	32,547,234	32,516,089	31,074,744	30,000,569	30,025,670	30,141,809	29,717,387	27,974,338	26,236,124	25,137,313
Program revenues										
Charges for services:										
General government	543,511	515,669	467,346	414,045	437,569	448,809	538,175	571,402	550,471	603,608
Public works	4,728	7,888	6,357	8,190	109,465	104,630	100,141	60,393	68,293	67,720
Parks and recreation	207,337	215,018	252,141	208,841	151,921	126,664	74,881	137,318	103,221	76,663
Other public safety	18,376	17,987	9,369	15,589	9,682	11,137	8,678	8,665	11,964	12,665
Fire services	400	380	420	850	1,260	400	45,278	-	-	-
Police services	49,359	70,117	145,922	73,473	43,640	84,412	7,398	21,740	28,108	31,522
Health services	14,904	15,425	13,230	10,432	4,435	4,755	13,173	5,192	6,074	-
Senior citizens	54,155	13,668	7,159	7,287	7,994	26,043	219,057	4,826	4,022	7,011
Sanitation	165,702	223,304	351,026	238,107	167,618	215,435	814,569	167,659	194,234	169,697
Education	64,571	65,054	64,461	63,755	-	-	-	-	-	-
Operating grants and contributions	963,519	1,029,382	1,154,206	860,837	747,876	1,069,701	631,174	700,984	696,890	584,873
Capital grants and contributions	793,642	795,262	248,927	185,441	397,590	51,860	-	46,100	420,683	116,850
Total program revenues	2,880,204	2,969,154	2,720,564	2,086,847	2,079,050	2,143,846	2,452,524	1,724,279	2,083,960	1,670,609
Net expenses:										
Governmental activities	(29,667,030)	(29,546,935)	(28,354,180)	(27,913,722)	(27,946,620)	(27,997,963)	(27,264,863)	(26,250,059)	(24,152,164)	(23,466,704)
General revenues:										
Property taxes	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	23,342,392
Grants and contributions not restricted to specific programs	167,440	180,486	142,982	178,588	138,473	170,751	196,051	180,686	222,446	141,606
Investment income	12,223	14,604	15,956	27,619	50,447	166,310	393,473	393,840	277,385	166,881
Gain on sale of land and building	-	-	-	-	-	25,060	-	-	-	38,881
Miscellaneous	15,290	11,850	14,461	38,205	40,179	14,746	231,779	54,666	60,680	125,218
Total general revenues	31,470,104	31,278,988	30,377,175	29,984,065	29,704,883	29,067,166	28,102,028	27,067,060	25,073,904	23,814,978
Change in net position	\$ 1,803,074	\$ 1,732,053	\$ 2,022,995	\$ 2,070,343	\$ 1,758,263	\$ 1,069,203	\$ 837,165	\$ 817,001	\$ 921,740	\$ 348,274

Town of Old Lyme, Connecticut

Schedule of Debt Limitation
Year Ended June 30, 2014

Total tax collections (including interest and lien fees):

For the year ended June 30, 2014 \$ 31,330,084

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 70,492,689	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	140,985,378	-	-	-
3 3/4 times base	-	-	117,487,815	-	-
3 1/4 times base	-	-	-	101,822,773	-
3 times base	-	-	-	-	93,990,252
Total debt limitation	70,492,689	140,985,378	117,487,815	101,822,773	93,990,252
Indebtedness:					
Bonds payable	3,225,000	-	-	-	-
Town's share of Regional School District No. 18 debt	-	34,072,325	-	-	-
Total indebtedness	3,225,000	34,072,325	-	-	-
Debt limitation in excess of indebtedness	<u>\$ 67,267,689</u>	<u>\$ 106,913,053</u>	<u>\$ 117,487,815</u>	<u>\$ 101,822,773</u>	<u>\$ 93,990,252</u>

NOTES: (1) The total of the above net indebtedness amounts to: \$ 37,297,325

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 219,310,588

**State
Single
Audit**

Town of Old Lyme, Connecticut

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

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	\$ 187
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	35,323
Property Tax Relief for Veterans	11000-OPM20600-17024	3,859
Local Capital Improvement Program	12050-OPM20600-40254	49,642
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OPM20600-17006	34,022
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	28,161
Municipal Purposes and Projects	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 CT Yankee	12060-DPS32984-30464	281
Nuclear Safety Fund Dominion	12060-DPS32984-30465	3,234
Department of Energy and Environmental Protection:		
Non-Budgeted Operating Approp	21014-DEP43720-40001	82,449
Small Town Economic Assitance Program	12052-DEP43740-40531	229,750
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	230,000
Deep Water Ports and Marina	12052-DOT57801-43509	74,243
Connecticut State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	4,000
Total State Financial Assistance before Exempt Programs		802,081
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64000-17041	605,586
Office of Policy and Management:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	13,598
Municipal Revenue Sharing	12060-OPM20600-35458	35,468
Total State Financial Assistance		\$ 1,456,733

Town of Old Lyme, Connecticut

Note to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2014

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, 2014. 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, 2014

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, 2014**

I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes x no
- Significant deficiency(ies) identified? _____yes x none reported

Noncompliance material to financial statements noted? _____yes x no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____yes x no
- Significant deficiency(ies) identified? _____yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____yes x no

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

State Grantor and Program	State Core CT Number	Expenditures
Department of Transportation: Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$230,000
Department of Energy and Environmental Protection: Small Town Economic Assistance Program	12052-DEP43740-40531	229,750
Dollar threshold used to distinguish between Type A and Type B programs:		\$100,000

II. Financial Statement Findings:

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

III. State Financial Assistance Findings and Questioned Costs:

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

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

Board of Finance
Town of Old Lyme, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Lyme, Connecticut, as of and for the year ended June 30, 2014, 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 17, 2014.

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.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

New London, Connecticut
December 17, 2014

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, 2014. 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, 2014.

Report on Internal Control over Compliance

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

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

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

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



New London, Connecticut
December 17, 2014