

**Annual Financial Report of the
Town of Old Lyme, Connecticut**

**Year Ended
June 30, 2012**

TOWN OF OLD LYME, CONNECTICUT

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012
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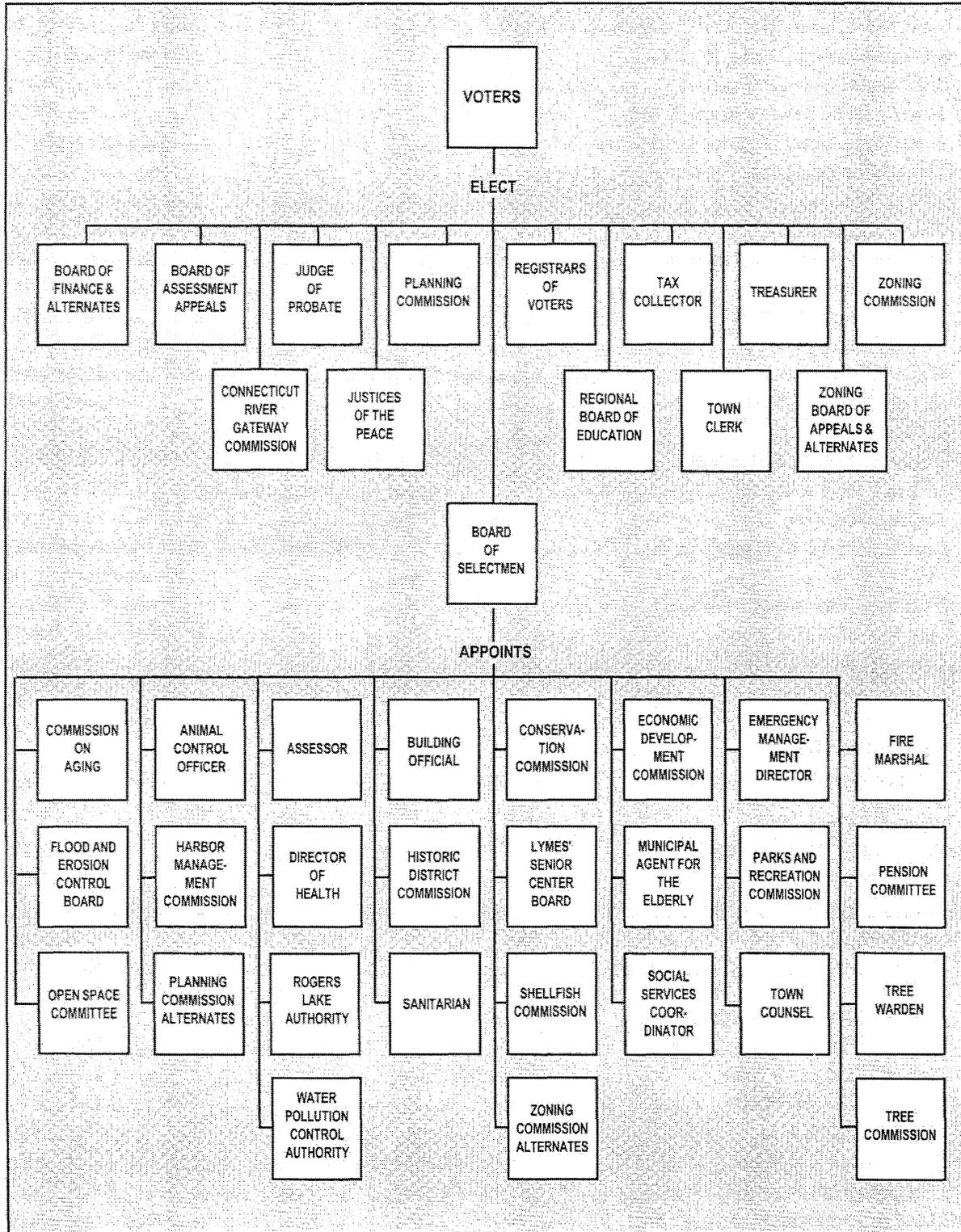
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Introductory Section

TOWN OF OLD LYME, CONNECTICUT

ORGANIZATION CHART



Financial Section

INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the Town'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 4 through 11 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Old Lyme, Connecticut's financial statements as a whole. The introductory section, supplemental schedules and the trend information are presented for purposes of additional analysis and are not a required part of the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and trend information sections have not been subjected to the auditing procedures applies in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on them.

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

New London, Connecticut
December 18, 2012



TOWN OF OLD LYME

52 Lyme Street
Old Lyme, CT 06371
www.oldlyme-ct.gov
Tel. (860) 434-1605
Fax (860) 434-1400

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2012

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, 2012.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2012 fiscal year by \$20,001,790. Of this amount, \$6,699,214 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$2,022,995. The most significant reasons for the increase were the substantial additions to capital assets in excess of depreciation expense and positive general fund operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,465,835, an increase of \$703,142 in comparison with the prior year.
- At the end of the 2012 fiscal year, unassigned fund balance for the general fund was \$4,916,275, or 15.4% of total general fund expenditures and transfers out.
- The Town's total long-term obligations decreased by \$612,821 (10.0%) during the 2012 fiscal year due to annual scheduled pay down on debt and decrease in estimated liability for landfill closure.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Old Lyme's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 15 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 12 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 the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a Town’s financial position. In the case of the Town, assets exceeded liabilities by \$20,001,790 at the close of the most recent fiscal year.

By far the largest portion of the Town’s net assets (66.5%) reflects its investment in capital assets (e.g., land, works of art, construction in progress, buildings and improvements, land improvements, machinery, vehicles and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF OLD LYME NET ASSETS
JUNE 30, 2012 AND 2011**

	2012	2011
Current and other assets	\$ 9,169,150	\$ 8,125,682
Capital assets (net).....	<u>17,341,563</u>	<u>16,599,726</u>
Total Assets.....	<u>26,510,713</u>	<u>24,725,408</u>
Current liabilities.....	2,566,558	1,091,347
Long-term liabilities.....	<u>3,942,365</u>	<u>5,655,266</u>
Total Liabilities.....	<u>6,508,923</u>	<u>6,746,613</u>
Net assets:		
Invested in capital assets, net of related debt	13,302,576	12,172,355
Unrestricted	<u>6,699,214</u>	<u>5,806,440</u>
Total Net Assets	<u>\$ 20,001,790</u>	<u>\$ 17,978,795</u>

Unrestricted net assets (\$6,699,214) 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 assets.

Governmental activities. The Town's net assets increased by \$2,022,995.

**TOWN OF OLD LYME CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 1,317,431	\$ 1,040,569
Operating grants and contributions	1,154,206	860,837
Capital grants and contributions	248,927	185,441
General revenues:		
Property taxes	30,203,776	29,739,653
Grants and contributions not restricted to specific programs	142,982	178,588
Investment income	15,956	27,619
Miscellaneous	<u>14,461</u>	<u>38,205</u>
Total Revenues	<u>33,097,739</u>	<u>32,070,912</u>
Expenses:		
General government	2,708,122	2,426,942
Public works	1,275,043	1,238,387
Parks and recreation	427,992	386,002
Other public safety	488,654	351,199
Social services	84,466	83,955
Fire services	761,987	698,564
Police services	886,192	781,859
Health services	156,946	150,025
Senior citizens	71,189	67,520
Sanitation	818,219	1,076,571
Education	23,285,508	22,632,353
Interest expense	<u>110,426</u>	<u>107,192</u>
Total Expenses	<u>31,074,744</u>	<u>30,000,569</u>
Increase in net assets	2,022,995	2,070,343
Net assets - July 1	<u>17,978,795</u>	<u>15,908,452</u>
Net assets - June 30	<u>\$20,001,790</u>	<u>\$17,978,795</u>

The key elements of this increase are as follows:

- Property taxes (including interest and liens) increased by \$464,123 (1.5%) during the year. This increase is due to the increase in the overall budget appropriation.
- Capital and operating grants and contributions for governmental activities increased by \$356,855 due to a one time State grant relating to the Town Hall Improvement project and FEMA reimbursements for state emergencies in the current year.
- Education increased by \$653,155 (2.9%) due to the Regional School District No. 18 budget increase.
- Sanitation decreased by \$258,352 (24%) due to the reduction in landfill closure liability estimate.

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

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,465,835, an increase of \$703,142 in comparison with the prior year. Approximately 65.9% of this total amount (\$4,916,275) 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 (\$47,467), Committed (\$2,348,403), and Assigned (\$153,690).

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 \$4,916,275, while total fund balance reached \$5,238,588. 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 15.4% of total general fund expenditures and transfers out, while total fund balance represents 16.5% of that same amount.

The fund balance of the Town's general fund increased by \$705,390 during the current fiscal year. The increase is comprised as follows:

- Property taxes collected exceeded the budgeted amount by \$402,996.
- The Town Hall Improvement Fund transferred \$155,700 into the General Fund, which was not budgeted.
- FEMA grants exceeded budgeted amount by \$162,470.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$294,283. The increases in appropriations are detailed as follows:

- Parks and Recreation-Sound View Commission repairs to Sound View facilities \$2,000
- Emergency Management-Hurricane Irene related costs \$142,283
- Transfer Out-Fire apparatus and equipment \$150,000

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, 2012, the expenditures totaled \$25,263.

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. There were no expenditures during the year ended June 30, 2012.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$17,341,563 (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 \$741,837 or 4.5%. Major capital asset events during the current fiscal year included the following:

- Public Works purchased a dump truck with plow \$144,688
- The Town purchased two fire trucks \$876,144

**TOWN OF OLD LYME CAPITAL ASSETS
(NET OF DEPRECIATION)**

	<u>2012</u>	<u>2011</u>
Land.....	\$ 3,423,356	\$ 3,423,356
Works of art.....	251,000	251,000
Construction in progress	24,298	68,400
Buildings and improvements	5,861,681	5,934,575
Land improvements.....	1,271,835	1,300,987
Machinery, vehicles and equipment	3,705,154	2,912,093
Infrastructure.....	<u>2,804,239</u>	<u>2,709,315</u>
Total.....	<u>\$ 17,341,563</u>	<u>\$ 16,599,726</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 \$3,725,000. All debt is backed by the full faith and credit of the Town.

**TOWN OF OLD LYME OUTSTANDING DEBT
GENERAL OBLIGATION BONDS/NOTES**

	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ <u>3,725,000</u>	\$ <u>3,975,000</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 \$210,804,559, 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 2012 was 6.4%. This compares favorably with the Norwich/New London labor market area's unemployment rate of 8.6% and the State of Connecticut's rate of 8.4% for the same period. While the unemployment rates for the State and Norwich/New London labor market decreased .7% and .2%, respectively, for the period from June 2011 to June 2012 due to current national economic conditions, the rates for Old Lyme decreased by .1%.

It is anticipated that the Town of Old Lyme's portion of the Regional School District No. 18 operating budget will increase by 4.3% due to the increase in debt associated with the high school renovations currently underway as well as the increase in head count of Old Lyme students.

Major capital projects for the Town include the closure of its landfill, Rogers Lake Dam Improvements, Harbor Management Dredging Study and the purchase of a street sweeper. 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 2013 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, CONNECTICUTSTATEMENT OF NET ASSETS
JUNE 30, 2012

<u>ASSETS</u>	GOVERNMENTAL ACTIVITIES
Current assets:	
Cash.....	\$ 3,875,617
Investments.....	4,119,983
Receivables:	
Property taxes.....	441,840
Intergovernmental.....	231,422
Other.....	39,997
Prepaid amounts.....	<u>47,467</u>
Total current assets.....	<u>8,756,326</u>
Noncurrent assets:	
Receivables (net):	
Property taxes.....	374,502
Other.....	<u>38,322</u>
	<u>412,824</u>
Capital assets (net of accumulated depreciation):	
Land.....	3,423,356
Works of art.....	251,000
Construction in progress.....	24,298
Buildings and improvements.....	5,861,681
Land improvements.....	1,271,835
Machinery, vehicles and equipment.....	3,705,154
Infrastructure.....	<u>2,804,239</u>
Total capital assets (net of depreciation).....	<u>17,341,563</u>
Total noncurrent assets.....	<u>17,754,387</u>
TOTAL ASSETS.....	<u>26,510,713</u>
<u>LIABILITIES</u>	
LIABILITIES:	
Current liabilities:	
Accounts payable.....	519,664
Accrued liabilities.....	99,044
Accrued interest payable.....	21,025
Unearned revenue.....	329,146
Note payable.....	135,000
Bonds and other related liabilities.....	250,000
Compensated absences.....	81,209
Landfill closure and postclosure.....	<u>1,131,470</u>
Total current liabilities.....	<u>2,566,558</u>
Noncurrent liabilities:	
Note payable.....	135,000
Bonds and other related liabilities.....	3,518,987
Compensated absences.....	13,878
Landfill closure and postclosure.....	<u>274,500</u>
Total noncurrent liabilities.....	<u>3,942,365</u>
TOTAL LIABILITIES.....	<u>6,508,923</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt.....	13,302,576
Unrestricted.....	<u>6,699,214</u>
TOTAL NET ASSETS.....	<u>\$ 20,001,790</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD LYME, CONNECTICUT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
General government.....	\$ 2,708,122	\$ 467,346	\$ 176,326	\$ 200,000	\$ (1,864,450)
Public works.....	1,275,043	6,357	114,781	48,927	(1,104,978)
Parks and recreation.....	427,992	252,141			(175,851)
Other public safety.....	488,654	9,369	202,470		(276,815)
Social services.....	84,466				(84,466)
Fire services.....	761,987	420			(761,567)
Police services.....	886,192	145,922	44,113		(696,157)
Health services.....	156,946	13,230	10,930		(132,786)
Senior citizens.....	71,189	7,159			(64,030)
Sanitation.....	818,219	351,026			(467,193)
Education.....	23,285,508	64,461	605,586		(22,615,461)
Interest expense.....	110,426				(110,426)
TOTAL.....	\$ 31,074,744	\$ 1,317,431	\$ 1,154,206	\$ 248,927	\$ (28,354,180)
GENERAL REVENUES:					
Property taxes.....					\$ 30,203,776
Grants and contributions not restricted to specific programs.....					142,982
Investment income.....					15,956
Miscellaneous.....					14,461
TOTAL GENERAL REVENUES.....					30,377,175
CHANGE IN NET ASSETS.....					2,022,995
NET ASSETS - JULY 1, 2011.....					17,978,795
NET ASSETS - JUNE 30, 2012.....					\$ 20,001,790

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD LYME, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL	LANDFILL CLOSURE	HARBOR MANAGEMENT DREDGING PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>					
Cash.....	\$ 1,721,277	\$ 1,205,352	\$	\$ 948,988	\$ 3,875,617
Investments.....	3,850,066			269,917	4,119,983
Receivables:					
Property taxes	762,998				762,998
Intergovernmental.....	190,060			41,362	231,422
Other.....	3,396			17,289	20,685
Due from other funds.....	182,580		200,000		382,580
Prepaid amounts.....	47,467				47,467
TOTAL ASSETS.....	\$ 6,757,844	\$ 1,205,352	\$ 200,000	\$ 1,277,556	\$ 9,440,752
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable.....	\$ 428,401	\$	\$	\$ 91,263	\$ 519,664
Accrued liabilities.....	99,044				99,044
Due to other funds.....	200,000	932		162,336	363,268
Deferred revenue.....	663,795				663,795
Unearned revenue.....	128,016		200,000	1,130	329,146
TOTAL LIABILITIES.....	1,519,256	932	200,000	254,729	1,974,917
Fund balances:					
Nonspendable.....	47,467				47,467
Committed.....	274,846	1,204,420		869,137	2,348,403
Assigned.....				153,690	153,690
Unassigned.....	4,916,275				4,916,275
TOTAL FUND BALANCES.....	5,238,588	1,204,420	-	1,022,827	7,465,835
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 6,757,844	\$ 1,205,352	\$ 200,000	\$ 1,277,556	\$ 9,440,752

(Continued)

TOWN OF OLD LYME, CONNECTICUT

RECONCILIATION OF FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCES (EXHIBIT C, PAGE 1)..... \$ 7,465,835

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.....	17,831,753
Depreciation expense.....	(368,401)
Disposal of capital assets.....	(121,789)

OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:

Property tax interest and lien accrual.....	193,344
Property tax receivable - accrual basis change.....	663,795
Allowance for doubtful accounts.....	(140,000)
Other.....	38,322

SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Bonds payable.....	(3,725,000)
Note payable.....	(270,000)
Bonds premium.....	(43,987)
Compensated absences.....	(95,087)
Landfill closure and postclosure.....	(1,405,970)
Accrued interest payable.....	(21,025)

NET ASSETS OF GOVERNMENTAL ACTIVITIES..... \$ 20,001,790

(Concluded)

TOWN OF OLD LYME, CONNECTICUTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	GENERAL	LANDFILL CLOSURE	HARBOR MANAGEMENT DREDGING PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property taxes.....	\$ 30,236,684	\$	\$	\$	\$ 30,236,684
Charges for services.....	948,898	207,024		179,009	1,334,931
Intergovernmental.....	1,162,359			232,826	1,395,185
Investment income.....	15,442	6,254		4,990	26,686
Contributions.....				150,930	150,930
Other revenue.....				14,461	14,461
TOTAL REVENUES.....	32,363,383	213,278	-	582,216	33,158,877
EXPENDITURES:					
Current:					
General government.....	2,314,375			8,754	2,323,129
Boards and commissions.....	289,423				289,423
Public works.....	844,369				844,369
Parks and recreation.....	371,997			2,205	374,202
Other public safety.....	457,650			21,471	479,121
Social services.....	84,466				84,466
Fire services.....	321,793				321,793
Police services.....	723,021			99,895	822,916
Health services.....	62,193			33,808	96,001
Senior citizens.....	71,189				71,189
Other associations.....	282,500				282,500
Sanitation.....	1,049,486	25,263			1,074,749
Chartered associations.....	100,827				100,827
Education.....	23,285,508				23,285,508
Capital outlay.....	617,079			880,820	1,497,899
Debt service.....	353,813			153,830	507,643
TOTAL EXPENDITURES.....	31,229,689	25,263	-	1,200,783	32,455,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,133,694	188,015	-	(618,567)	703,142
OTHER FINANCING SOURCES (USES):					
Transfers in.....	166,696	114,137		509,137	789,970
Transfers out.....	(595,000)			(194,970)	(789,970)
NET OTHER FINANCING SOURCES (USES).....	(428,304)	114,137	-	314,167	-
NET CHANGE IN FUND BALANCES.....	705,390	302,152	-	(304,400)	703,142
FUND BALANCES - JULY 1, 2011.....	4,533,198	902,268	-	1,327,227	6,762,693
FUND BALANCES - JUNE 30, 2012.....	\$ 5,238,588	\$ 1,204,420	\$ -	\$ 1,022,827	\$ 7,465,835

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, 2012

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)..... \$ 703,142

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

Capital outlay.....	1,232,027
Depreciation expense.....	(368,401)
Total.....	863,626

The net effect of various miscellaneous transactions involving capital assets (i. e., sales, trade-ins and donations) is to increase net assets. In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold..... (121,789)

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

Changes in property tax receivable - accrual basis change.....	(52,606)
Changes in property tax interest and lien revenue.....	23,915
Changes in allowance for doubtful accounts.....	(4,217)
Total	(32,908)

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

Debt issued or incurred:	
Principal payments.....	385,000
Premiums.....	3,384
Other assets.....	(2,948)
Total	385,436

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences.....	(32,093)
Landfill closure and postclosure.....	256,530
Accrued interest payable.....	1,051
Total	225,488

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B) \$ 2,022,995

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD LYME, CONNECTICUTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Property taxes.....	\$ 29,833,688	\$ 29,833,688	\$ 30,236,684	\$ 402,996
Charges for services.....	778,960	778,960	948,898	169,938
Intergovernmental.....	1,021,000	1,021,000	1,162,359	141,359
Investment income.....	25,775	25,775	15,442	(10,333)
Other revenue.....	10	10		(10)
TOTAL REVENUES.....	31,659,433	31,659,433	32,363,383	703,950
EXPENDITURES:				
Current:				
General government.....	2,176,797	2,195,313	2,299,946	(104,633)
Boards and commissions.....	336,517	312,729	280,444	32,285
Public works.....	857,157	857,157	825,469	31,688
Parks and recreation.....	353,319	371,531	360,099	11,432
Other public safety.....	319,932	466,015	457,650	8,365
Social services.....	84,575	84,575	84,466	109
Fire services.....	326,918	326,918	323,096	3,822
Police services.....	744,428	744,428	723,131	21,297
Health services.....	62,283	62,283	62,193	90
Senior citizens' activities.....	69,342	71,189	71,189	-
Other associations.....	283,000	283,000	283,000	-
Sanitation.....	1,153,151	1,136,564	1,050,126	86,438
Chartered associations.....	101,300	101,300	98,532	2,768
Regional School District No. 18.....	23,285,508	23,285,508	23,285,508	-
Debt service:				
Redemption of debt.....	250,000	250,000	250,000	-
Interest on debt.....	103,813	103,813	103,813	-
Capital outlay.....	706,393	706,393	607,210	99,183
TOTAL EXPENDITURES.....	31,214,433	31,358,716	31,165,872	192,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	445,000	300,717	1,197,511	896,794
OTHER FINANCING SOURCES (USES):				
Appropriation of fund balance.....		294,283		(294,283)
Cancellation of prior year encumbrances.....			12,170	12,170
Transfers in.....			166,696	166,696
Transfers out.....	(445,000)	(595,000)	(595,000)	-
NET OTHER FINANCING SOURCES (USES).....	(445,000)	(300,717)	(416,134)	(115,417)
NET CHANGE IN FUND BALANCE.....	\$ -	\$ -	781,377	\$ 781,377
FUND BALANCE - JULY 1, 2011.....			4,182,365	
FUND BALANCE - JUNE 30, 2012.....			\$ 4,963,742	

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD LYME, CONNECTICUT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	PENSION TRUST FUND	AGENCY FUNDS
<u>ASSETS</u>		
Cash.....	\$	\$ 425,727
INVESTMENTS, AT FAIR VALUE:		
Guaranteed interest contract.....	2,494,223	
Bond mutual funds.....	294,848	
Equity mutual funds.....	2,757,873	
TOTAL INVESTMENTS.....	5,546,944	-
Accounts receivable.....	122,618	
TOTAL ASSETS.....	5,669,562	425,727
<u>LIABILITIES</u>		
LIABILITIES:		
Accounts payable.....		406,415
Due to other funds.....		19,312
TOTAL LIABILITIES.....	-	425,727
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS.....	\$ 5,669,562	\$ -

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD LYME, CONNECTICUTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	PENSION TRUST FUND
ADDITIONS:	
Contributions:	
Employer.....	\$ 414,892
Plan members.....	<u>67,283</u>
Total contributions.....	<u>482,175</u>
Investment income:	
Net change in fair value of investments.....	129,129
Less investment expenses.....	<u>5,200</u>
Net investment income.....	<u>123,929</u>
TOTAL ADDITIONS.....	<u>606,104</u>
DEDUCTIONS:	
Benefits.....	84,647
Refunds.....	<u>5,566</u>
TOTAL DEDUCTIONS.....	<u>90,213</u>
CHANGES IN NET ASSETS.....	515,891
NET ASSETS - JULY 1, 2011.....	<u>5,153,671</u>
NET ASSETS - JUNE 30, 2012.....	<u>\$ 5,669,562</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OLD LYME, CONNECTICUT

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 assets 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 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 BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

The Town reports the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund types:

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

The *Agency Funds* are used to account for performance bonds.

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

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

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

TOWN OF OLD LYME, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets 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 property taxes 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 deferred 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 BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity (Continued)

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 assets. 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.

TOWN OF OLD LYME, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity (Continued)

5. Long-Term Obligations (Continued)

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. Fund Equity and Net Assets

In the government-wide financial statements, net assets are classified into the following categories:

Invested in Capital Assets, Net of Related Debt

This category presents the net assets 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 Assets

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

Unrestricted Net Assets

This category presents the net assets of the Town which are not restricted.

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.

TOWN OF OLD LYME, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Net Assets or Equity (Continued)

6. Fund Equity and Net Assets (Continued)

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.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless Town Meeting or the Board of Finance has provided otherwise in its commitment or assignment actions.

7. 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.

8. Reclassifications

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

TOWN OF OLD LYME, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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.
- 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 \$294,283 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.

TOWN OF OLD LYME, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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, 2012 ...	\$31,165,872	\$ 4,963,742
Encumbrances outstanding at June 30, 2011 liquidated during the fiscal year.....	237,763	
Encumbrances outstanding at June 30, 2011 and 2012.....		100,900
Encumbrances outstanding at June 30, 2012 charged to budgetary expenditures during the fiscal year	<u>(173,946)</u>	<u>173,946</u>
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2012.....	<u>\$ 31,229,689</u>	<u>\$ 5,238,588</u>

C. Excess of Expenditures over Appropriations

During the year ended June 30, 2012, general fund expenditures exceeded appropriations in the following department:

<u>DEPARTMENT</u>	<u>EXPENDITURES OVER BUDGET</u>
Selectmen's office	\$ 141,613

D. Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2012:

<u>CAPITAL PROJECT</u>	<u>AUTHORIZATION</u>	<u>CUMULATIVE EXPENDITURES</u>	<u>BALANCE JUNE 30, 2012</u>
Town hall expansion.....	\$ 4,600,000	\$ 4,540,336	\$ 59,664

TOWN OF OLD LYME, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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, 2012, \$3,871,921 of the Town's bank balance of \$6,091,031 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$3,434,729
Uninsured and collateral held by pledging bank's trust department not in the Town's name .	<u>437,192</u>
Total amount subject to custodial credit risk	<u>\$3,871,921</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, 2012, the Town's investments consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITIES (IN YEARS)			
		N/A	LESS THAN 1 YEAR	1-5 YEARS	6-10 YEARS
Bank money market accounts...	\$ 1,596,984	\$	\$ 1,596,984	\$	\$
Pooled fixed income	2,522,999		2,522,999		
Guaranteed interest contract.....	2,494,223				2,494,223
Bond mutual funds.....	294,848			294,848	
Equity mutual funds	<u>2,757,873</u>	<u>2,757,873</u>			
TOTAL.....	<u>\$ 9,666,927</u>	<u>\$2,757,873</u>	<u>\$ 4,119,983</u>	<u>\$ 294,848</u>	<u>\$2,494,223</u>

Of the \$2,522,999 of pooled fixed income, \$2,006,913 was invested in 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 BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

A. **Cash and Investments (Continued)**

2. **Investments (Continued)**

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	\$ 2,522,999	\$	\$ 294,848
AA		2,494,223	
TOTAL	\$ 2,522,999	\$ 2,494,223	\$ 294,848

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, 2012, 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, 2012, including the applicable allowances for uncollectible accounts, are presented below.

	PROPERTY TAXES		
	TAXES	INTEREST & LIEN FEES	TOTAL
Current Portion	\$ 323,999	\$ 117,841	\$ 441,840
Long-term Portion.....	\$ 438,999	\$ 75,503	\$ 514,502
Less Allowance for Uncollectible.....	(115,000)	(25,000)	(140,000)
Net Long-term Portion	\$ 323,999	\$ 50,503	\$ 374,502

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

DEFERRED REVENUE:

Delinquent property taxes receivable (general fund) \$ 663,795

UNEARNED REVENUE:

Unearned property tax payments paid in advance 68,028

Unearned grant funds paid in advance 200,000

Unearned fees for recreation programs and other miscellaneous revenue..... 61,118

TOTAL DEFERRED AND UNEARNED REVENUE FOR GOVERNMENTAL FUNDS \$ 992,941

TOWN OF OLD LYME, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

C. **Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	BALANCE JULY 1, 2011	INCREASES	DECREASES	BALANCE JUNE 30, 2012
<u>Governmental Activities:</u>				
<u>Capital Assets, not being Depreciated:</u>				
Land	\$ 3,423,356	\$	\$	\$ 3,423,356
Works of art	251,000			251,000
Construction in progress.....	68,400	56,498	100,600	24,298
Total Capital Assets, not being Depreciated ...	3,742,756	56,498	100,600	3,698,654
<u>Capital Assets, being Depreciated:</u>				
Buildings and improvements	6,428,948			6,428,948
Land improvements	1,545,320			1,545,320
Machinery, vehicles and equipment.....	4,583,382	1,146,582	525,820	5,204,144
Infrastructure	3,033,842	129,547		3,163,389
Total Capital Assets, being Depreciated	15,591,492	1,276,129	525,820	16,341,801
Total Capital Assets	19,334,248	1,332,627	626,420	20,040,455
<u>Less Accumulated Depreciation for:</u>				
Buildings and improvements	494,373	72,894		567,267
Land improvements	244,333	29,152		273,485
Machinery, vehicles and equipment.....	1,671,289	231,732	404,031	1,498,990
Infrastructure	324,527	34,623		359,150
Total Accumulated Depreciation.....	2,734,522	368,401	404,031	2,698,892
Total Capital Assets, being Depreciated, net ..	12,856,970	907,728	121,789	13,642,909
Governmental Activities Capital Assets, net ...	\$ 16,599,726	\$ 964,226	\$ 222,389	\$ 17,341,563

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

General government	\$ 84,783
Public works.....	117,928
Parks and recreation	33,475
Other public safety.....	1,066
Fire services.....	102,754
Police services.....	28,395
Total Depreciation Expense	\$ 368,401

Construction Commitments

The Town has one active construction project at June 30, 2012, which is the Landfill Closure Project. At year end, the Town's commitments with contractors are as follows:

Landfill Closure Project.....	\$ 1,035,970
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TOWN OF OLD LYME, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

D. Interfund Accounts

1. Interfund Payables and Receivables

A summary of interfund balances as of June 30, 2012 is as follows:

MAJOR FUNDS	CORRESPONDING		
	FUND	DUE FROM	DUE TO
GENERAL FUND:			
Miscellaneous fund	N/A	\$ 1,582	\$
Dog fund	N/A	180	
Private duty fund	N/A	2,054	
Landfill closure	N/A	932	
Town Hall expansion project.....	N/A	158,520	
Harbor management dredging project.....	N/A		200,000
Performance bonds.....	N/A	19,312	
TOTAL GENERAL FUND.....		182,580	200,000
Landfill closure.....	General Fund		932
Harbor management dredging project	General Fund	200,000	
NONMAJOR FUNDS			
SPECIAL REVENUE FUNDS:			
Miscellaneous fund	General Fund		1,582
Dog fund	General Fund		180
Private duty fund	General Fund		2,054
CAPITAL PROJECTS FUNDS:			
Town Hall expansion project.....	General Fund		158,520
TOTAL NONMAJOR FUNDS.....			162,336
FIDUCIARY FUNDS:			
Performance bonds.....	General Fund		19,312
GRAND TOTAL		\$ 382,580	\$ 382,580

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 BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

D. **Interfund Accounts (Continued)**

2. **Interfund Transfers**

A summary of interfund transfers as of June 30, 2012 is as follows:

<u>MAJOR FUND:</u>	<u>CORRESPONDING FUND</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL FUND:			
Land acquisition	N/A	\$	\$ 75,000
Landfill closure	N/A		100,000
Capital nonrecurring	N/A		10,000
Bus barn fund	N/A	10,996	
Town Hall expansion project	N/A	155,700	
Firefighters' equipment.....	N/A		410,000
TOTAL GENERAL FUND		166,696	595,000
Landfill closure.....	General Fund	100,000	
Landfill closure.....	Bus Barn Fund	14,137	
TOTAL LANDFILL CLOSURE		114,137	
NONMAJOR FUNDS:			
SPECIAL REVENUE FUNDS:			
Bus barn fund.....	General Fund		10,996
Bus barn fund.....	Capital Nonrecurring		14,137
Bus barn fund.....	Landfill Closure		14,137
CAPITAL PROJECTS FUNDS:			
Capital nonrecurring	General Fund	10,000	
Capital nonrecurring	Bus Barn Fund	14,137	
Town Hall expansion project	General Fund		155,700
Firefighters' equipment.....	General Fund	410,000	
Land acquisition	General Fund	75,000	
TOTAL NONMAJOR FUNDS.....		509,137	194,970
GRAND TOTAL.....		\$ 789,970	\$ 789,970

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 BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

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, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012	CURRENT PORTION
BONDS - GENERAL	\$ 4,200,000	10/15/09	10/15/24	2.0% - 3.5%	\$ 3,975,000	\$	\$ 250,000	\$ 3,725,000	\$ 250,000
PREMIUMS					47,371		3,384	43,987	
TOTAL BONDS AND RELATED LIABILITIES					4,022,371	-	253,384	3,768,987	250,000
NOTE PAYABLE	405,000	6/15/2011	6/15/2014	2%	405,000		135,000	270,000	135,000
ESTIMATED LIABILITY FOR LANDFILL CLOSURE					1,662,500		256,530	1,405,970	1,131,470
COMPENSATED ABSENCES					62,994	87,828	55,735	95,087	81,209
TOTAL LONG-TERM OBLIGATIONS					\$ 6,152,865	\$ 87,828	\$ 700,649	\$ 5,540,044	\$ 1,597,679

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, 2012, the outstanding bonded indebtedness of the District was \$48,600,000. The Town of Old Lyme's share will be approximately 80.5%, which totaled \$39,123,000. 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, 2012, are as follows:

FISCAL YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2013	\$ 250,000	\$ 98,812	\$ 348,812
2014	250,000	93,812	343,812
2015	275,000	88,563	363,563
2016	275,000	82,719	357,719
2017	275,000	76,188	351,188
2018	300,000	69,000	369,000
2019	300,000	61,125	361,125
2020	300,000	52,500	352,500
2021	300,000	43,500	343,500
2022	300,000	34,500	334,500
2023	300,000	25,125	325,125
2024	300,000	15,375	315,375
2025	300,000	5,250	305,250
Total	\$3,725,000	\$ 746,469	\$4,471,469

TOWN OF OLD LYME, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. **DETAILED NOTES (CONTINUED)**

E. **Changes in Long-Term Obligations (Continued)**

2. **Note Payable**

The Town has a note payable to Mr. Steven Ames in the amount of \$270,000 as of June 30, 2012. The proceeds of the note were used to purchase 81± acres off Evergreen Trail. The note accrues interest of 2% per annum. The annual requirements to amortize the note payable as of June 30, 2012 are as follows:

FISCAL YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2013	\$ 135,000	\$ 5,400	\$ 140,400
2014	<u>135,000</u>	<u>2,700</u>	<u>137,700</u>
Total	<u>\$ 270,000</u>	<u>\$ 8,100</u>	<u>\$ 278,100</u>

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

State and Federal laws and regulations require that the Town of Old Lyme place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability should be recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,405,970 as of June 30, 2012, which is based on 100% usage of the landfill. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2012. However, the actual costs of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

It is anticipated that future inflation costs and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) will be financed through future borrowings or tax collections. The Town has committed fund balance of \$1,204,420 in the Landfill Closure Capital Project Fund accumulated as of June 30, 2012 for these costs.

TOWN OF OLD LYME, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

4. Authorized/Unissued Bonds

There are no authorized/unissued bonds at June 30, 2012.

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	\$ 67,758,608	\$ 3,995,000	\$ 63,763,608
Schools	135,517,217	39,123,000	96,394,217
Sewers	112,931,014		112,931,014
Urban renewal	97,873,545		97,873,545
Pension deficit	90,344,811		90,344,811

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$210,804,559.

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 BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

F. Fund Balance Classifications

As of June 30, 2012, fund balances are composed of the following:

FUND BALANCE COMPONENT	GENERAL FUND	LANDFILL CLOSURE	HARBOR MANAGEMENT DREDGING PROJECT	NONMAJOR FUNDS	TOTAL
<u>NONSPENDABLE:</u>					
Prepaid Items	\$ 47,467	\$	\$	\$	\$ 47,467
<u>COMMITTED:</u>					
General government	5,300				5,300
Boards and commissions	4,231				4,231
Parks and recreation	460				460
Fire services	1,500				1,500
Police services	2,263				2,263
Other associations	1,670				1,670
Sanitation		1,204,420			1,204,420
Capital outlay	259,422				259,422
Approved CNR projects				869,137	869,137
TOTAL COMMITTED	274,846	1,204,420	-	869,137	2,348,403
<u>ASSIGNED:</u>					
General government				45,395	45,395
Parks and recreation				34,281	34,281
Other public safety				24,544	24,544
Police services				15,235	15,235
Health services				34,235	34,235
TOTAL ASSIGNED	-	-	-	153,690	153,690
<u>UNASSIGNED</u>	4,916,275				4,916,275
TOTAL	\$ 5,238,588	\$ 1,204,420	\$ -	\$ 1,022,827	\$ 7,465,835

TOWN OF OLD LYME, CONNECTICUT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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 2012.

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 BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Defined Contribution Town of Old Lyme Pension Plan (Continued)

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, 2012, membership of the plan consisted of:

Current Employees:

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

For the year ended June 30, 2012, the Town and Regional School District No. 18's payroll of eligible individuals covered by the plan was \$5,186,150. The Town and District contributed \$414,892 or 8%, while the employees contributed \$67,283 or 1.3% of covered payroll.

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, 2012 was \$36,984.

TOWN OF OLD LYME, CONNECTICUT
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

D. Reclassification

In the prior year, the Capital Nonrecurring and the Land Acquisition funds were reported as major funds, whereas in the current year they no longer meet the requirements and have been reclassified to Other Governmental Funds. Therefore, the beginning fund balances have been reclassified as follows:

	CAPITAL NONRECURRING	LAND ACQUISITION	OTHER GOVERNMENTAL FUNDS
BALANCE - JUNE 30, 2011	\$ 139,108	\$ 399,401	\$ 788,718
Reclassifications of funds	<u>(139,108)</u>	<u>(399,401)</u>	<u>538,509</u>
BALANCE - JULY 1, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,327,227</u>

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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
PROPERTY TAXES:				
Property taxes.....	\$ 29,663,688	\$ 29,663,688	\$ 30,002,932	\$ 339,244
Interest and lien fees.....	120,000	120,000	194,750	74,750
Telephone access line grant.....	50,000	50,000	39,002	(10,998)
TOTAL PROPERTY TAXES.....	29,833,688	29,833,688	30,236,684	402,996
CHARGES FOR SERVICES:				
Building department.....	90,000	90,000	125,922	35,922
Health department.....	4,000	4,000	7,230	3,230
Parks and recreation department.....	50,000	50,000	48,111	(1,889)
Parking Lot.....	85,000	85,000	109,570	24,570
Town Woods Park.....	24,100	24,100	27,736	3,636
Rowing.....	23,000	23,000	42,264	19,264
Planning commission.....	2,900	2,900	515	(2,385)
Selectmen's office.....	4,000	4,000	10,875	6,875
Town clerk's office.....	180,000	180,000	210,448	30,448
Assessor.....	3,000	3,000	1,723	(1,277)
Zoning commission.....	3,900	3,900	19,788	15,888
Zoning board of appeals.....	8,000	8,000	7,656	(344)
Inland/wetlands.....	2,300	2,300	4,098	1,798
Engineering/legal reimbursements.....	14,500	14,500	20,231	5,731
Historic District commission.....	200	200	520	320
Fire Marshal.....	1,000	1,000	420	(580)
Senior center.....	6,300	6,300	7,159	859
Septage transfer.....	90,000	90,000	46,970	(43,030)
Recycling.....			6,515	6,515
Landfill.....	70,000	70,000	90,517	20,517
Parking fines.....	25,000	25,000	26,112	1,112
Cell phone tower lease.....	23,250	23,250	25,626	2,376
Beach stickers and permits.....	20,000	20,000	24,460	4,460
Capital asset proceeds.....	10	10	17,500	17,490
School crossing guard.....	14,900	14,900	14,461	(439)
OLVNA reimbursement.....	2,600	2,600	6,000	3,400
Ambulance fuel reimbursement.....	6,000	6,000	11,075	5,075
Workers' Compensation reimbursement.....			7,447	7,447
Miscellaneous.....	8,000	8,000	15,557	7,557
Private duty - police.....	17,000	17,000	12,392	(4,608)
TOTAL CHARGES FOR SERVICES.....	778,960	778,960	948,898	169,938
INTERGOVERNMENTAL:				
LOCIP.....	48,900	48,900	48,927	27
Historic Preservation Grant.....	3,000	3,000	3,500	500
Emergency management/FEMA.....	40,000	40,000	202,470	162,470
Education equalization grant.....	605,500	605,500	605,586	86
PILOT - state property.....	28,500	28,500	30,375	1,875
Miscellaneous state grants.....	40,000	40,000	15,784	(24,216)
PILOT - colleges.....	38,800	38,800	38,844	44
Mashantucket Pequot grant.....	13,900	13,900	13,936	36
Tax relief elderly.....	35,000	35,000	38,496	3,496
Veterans' tax exempt.....	5,000	5,000	5,547	547
Town aid road.....	114,700	114,700	114,781	81
State police DWI and special events.....	47,700	47,700	44,113	(3,587)
TOTAL INTERGOVERNMENTAL.....	1,021,000	1,021,000	1,162,359	141,359
INVESTMENT INCOME:				
Interest on investments.....	25,775	25,775	15,442	(10,333)
OTHER REVENUE:				
Fireworks.....	10	10		(10)
TOTAL REVENUES.....	31,659,433	31,659,433	32,363,383	703,950
OTHER FINANCING SOURCES:				
Appropriation of fund balance.....		294,283		(294,283)
Cancellation of prior year encumbrances.....			12,170	12,170
Transfers in:				
Town Hall expansion project.....			155,700	155,700
Bus barn fund.....			10,996	10,996
TOTAL OTHER FINANCING SOURCES.....	-	294,283	178,866	(115,417)
TOTAL REVENUES AND OTHER FINANCING SOURCES.....	\$ 31,659,433	\$ 31,953,716	\$ 32,542,249	\$ 588,533

TOWN OF OLD LYME, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
GENERAL GOVERNMENT:				
Selectmen's office.....	\$ 227,870	\$ 227,870	\$ 369,483	\$ (141,613)
Town clerk.....	104,644	104,644	103,033	1,611
Tax collector.....	90,231	90,231	85,299	4,932
Treasurer.....	156,138	156,138	154,098	2,040
Registrar.....	32,812	32,812	29,125	3,687
Information technology.....	50,455	59,280	59,279	1
Probate court.....	4,000	5,119	5,119	-
Assessor.....	120,941	124,997	124,997	-
Building department.....	90,675	94,464	94,463	1
Health department.....	184,795	191,739	191,739	-
Town hall.....	103,000	103,000	101,927	1,073
Insurance.....	651,334	645,117	630,918	14,199
Special deductions.....	359,902	359,902	350,466	9,436
TOTAL GENERAL GOVERNMENT.....	2,176,797	2,195,313	2,299,946	(104,633)
BOARDS AND COMMISSIONS:				
Harbor management commission.....	850	894	894	
Economic development commission.....	20	20		20
Ethics Commission.....	25	25		25
Water management authority.....	24,613	24,613	23,619	994
Board of finance.....	10,171	10,171	9,261	910
Flood and erosion control board.....	680	680	300	380
Historic district commission.....	4,750	4,918	4,917	1
Tree commission.....	12,260	12,260	10,421	1,839
Board of assessment appeals.....	325	325	307	18
Land use.....	282,448	258,448	230,487	27,961
Sound View.....	375	375	238	137
TOTAL BOARDS AND COMMISSIONS.....	336,517	312,729	280,444	32,285
PUBLIC WORKS:				
Public works expenditures.....	857,157	857,157	825,469	31,688
PARKS AND RECREATION:				
Parks and recreation.....	234,399	236,399	226,409	9,990
Town Woods Park.....	114,910	131,122	131,121	1
Fireworks/Memorial day.....	4,010	4,010	2,569	1,441
TOTAL PARKS AND RECREATION.....	353,319	371,531	360,099	11,432
OTHER PUBLIC SAFETY:				
Animal Control.....	63,852	67,652	67,651	1
Emergency management.....	12,050	154,333	151,533	2,800
Valley shore communications.....	122,100	122,100	122,098	2
Ambulance.....	121,930	121,930	116,368	5,562
TOTAL OTHER PUBLIC SAFETY.....	319,932	466,015	457,650	8,365
SOCIAL SERVICES:				
Social service.....	15,575	15,575	15,466	109
Lyme's youth services.....	69,000	69,000	69,000	-
TOTAL SOCIAL SERVICES.....	84,575	84,575	84,466	109

(Continued)

TOWN OF OLD LYME, CONNECTICUT
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
FIRE SERVICES:				
Old Lyme fire department.....	\$ 203,591	\$ 203,591	\$ 202,128	\$ 1,463
Fire protection.....	25,000	25,000	24,926	74
Fire marshal.....	60,277	60,277	59,058	1,219
Firemen's incentive plan.....	38,050	38,050	36,984	1,066
TOTAL FIRE SERVICES.....	326,918	326,918	323,096	3,822
POLICE SERVICES:				
Roger lake patrol.....	6,325	6,325	5,827	498
Resident state police.....	115,300	115,300	109,470	5,830
Municipal police.....	622,803	622,803	607,834	14,969
TOTAL POLICE SERVICES.....	744,428	744,428	723,131	21,297
HEALTH SERVICES:				
Social Services Agencies.....	2,692	2,692	2,692	
VNA.....	59,591	59,591	59,501	90
TOTAL HEALTH SERVICES.....	62,283	62,283	62,193	90
SENIOR CITIZENS' ACTIVITIES:				
Estuary transit district.....	9,142	9,142	9,142	-
Estuary services	30,000	30,000	30,000	-
Senior center.....	30,200	32,047	32,047	-
TOTAL SENIOR CITIZENS' ACTIVITIES.....	69,342	71,189	71,189	-
OTHER ASSOCIATIONS.....	283,000	283,000	283,000	-
SANITATION:				
Municipal refuse collection.....	332,420	332,420	332,420	-
Single Stream Recycling	171,000	171,000	171,000	-
CT Resources Recovery Authority.....	250,000	231,000	230,215	785
Recycling.....	38,220	38,220	26,828	11,392
Household hazardous waste.....	17,400	17,400	12,791	4,609
Transfer station.....	195,111	197,524	197,524	-
Septage	149,000	149,000	79,348	69,652
TOTAL SANITATION.....	1,153,151	1,136,564	1,050,126	86,438
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	6,232	2,768
TOTAL CHARTERED ASSOCIATIONS.....	101,300	101,300	98,532	2,768
REGIONAL SCHOOL DISTRICT NO. 18.....	23,285,508	23,285,508	23,285,508	-
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 (CONCLUDED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
INTEREST ON DEBT:				
Town Hall expansion.....	\$ 103,813	\$ 103,813	\$ 103,813	\$ -
CAPITAL OUTLAY:				
General government.....	156,268	156,268	129,071	27,197
Public works.....	233,500	233,500	231,569	1,931
Public safety.....	85,425	85,425	48,417	37,008
Public works roads and projects.....	231,200	231,200	198,153	33,047
TOTAL CAPITAL OUTLAY.....	706,393	706,393	607,210	99,183
TOTAL EXPENDITURES.....	31,214,433	31,358,716	31,165,872	192,844
OTHER FINANCING USES:				
Transfers out:				
Landfill closure.....	100,000	100,000	100,000	-
Land aquisition.....	75,000	75,000	75,000	-
Firefighters' equipment.....	260,000	410,000	410,000	-
Capital nonrecurring.....	10,000	10,000	10,000	-
TOTAL OTHER FINANCING USES.....	445,000	595,000	595,000	-
TOTAL EXPENDITURES AND OTHER FINANCING USES.....	\$ 31,659,433	\$ 31,953,716	\$ 31,760,872	\$ 192,844

(Concluded)

TOWN OF OLD LYME, CONNECTICUT

REPORT OF PROPERTY TAX COLLECTOR
YEAR ENDED JUNE 30, 2012

GRAND LIST YEAR	UNCOLLECTED TAXES JULY 1, 2011	CURRENT YEAR LEVY	LAWFUL CORRECTIONS		TRANSFERS TO SUSPENSE	ADJUSTED TAXES COLLECTIBLE	COLLECTIONS				UNCOLLECTED TAXES JUNE 30, 2012
			ADDITIONS	DEDUCTIONS			TAXES	INTEREST	LIEN FEES	TOTAL	
SUSPENSE	\$	\$	\$ 2,075	\$	\$	\$ 2,075	\$ 2,075	\$ 1,984	\$ 5	\$ 4,064	\$ -
1995	2			2		-				-	-
1996	2					2				-	2
1997	845					845				-	845
1998	2					2				-	2
1999	3					3				-	3
2000	13					13				-	13
2001	161					161				-	161
2002	145					145				-	145
2003	292					292	203	8	24	235	89
2004	3,622					3,622	1,695	584	24	2,303	1,927
2005	9,119					9,119	6,491	2,890	48	9,429	2,628
2006	25,974					25,974	10,726	6,051	120	16,897	15,248
2007	107,946			86	16,430	91,430	49,784	15,547	260	65,591	41,646
2008	200,965			526		200,439	94,710	41,075	528	136,313	105,729
2009	386,702			4,948		381,754	192,775	51,645	1,484	245,904	188,979
TOTAL PRIOR YEARS	735,793	-	2,075	5,562	16,430	715,876	358,459	119,784	2,493	480,736	357,417
2010		30,071,855		104,546		29,967,309	29,561,728	72,097	376	29,634,201	405,581
TOTAL	\$ 735,793	\$ 30,071,855	\$ 2,075	\$ 110,108	\$ 16,430	\$ 30,683,185	\$ 29,920,187	\$ 191,881	\$ 2,869	\$ 30,114,937	\$ 762,998

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, 2012

	SPECIAL REVENUE FUNDS								TOTAL
	SOCIAL WORKERS' FUND	MISCELLANEOUS FUND	DOG FUND	PRIVATE DUTY FUND	HARBOR MANAGEMENT FUND	TOWN WOODS PARK FUND	PUBLIC BUILDING IMPROVEMENT FUND	BUS BARN FUND	
ASSETS									
Cash.....	\$ 34,235	\$	\$ 28,373	\$	\$ 16,129	\$ 18,152	\$ 45,282	\$ 113	\$ 142,284
Receivables:									
Intergovernmental.....		2,712							2,712
Other.....				17,289					17,289
TOTAL ASSETS.....	\$ 34,235	\$ 2,712	\$ 28,373	\$ 17,289	\$ 16,129	\$ 18,152	\$ 45,282	\$ 113	\$ 162,285
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts payable.....	\$	\$	\$ 3,649	\$	\$	\$	\$	\$	\$ 3,649
Due to other funds.....		1,582	180	2,054					3,816
Unearned revenue.....		1,130							1,130
TOTAL LIABILITIES.....	-	2,712	3,829	2,054	-	-	-	-	8,595
FUND BALANCES:									
Assigned.....	34,235		24,544	15,235	16,129	18,152	45,282	113	153,690
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 34,235	\$ 2,712	\$ 28,373	\$ 17,289	\$ 16,129	\$ 18,152	\$ 45,282	\$ 113	\$ 162,285

(Continued)

TOWN OF OLD LYME, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONCLUDED)

	CAPITAL PROJECTS FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TOWN HALL EXPANSION PROJECT	CAPITAL NONRECURRING	LAND ACQUISITION	FIREFIGHTERS' EQUIPMENT	TOTAL	
<u>ASSETS</u>						
Cash.....	\$ 373,843		\$ 432,861	\$ 102,780	\$ 806,704	\$ 948,988
Investments.....		\$ 167,137			269,917	269,917
Receivables:						
Intergovernmental.....			38,650		38,650	41,362
Other.....					-	17,289
TOTAL ASSETS.....	\$ 373,843	\$ 167,137	\$ 471,511	\$ 102,780	\$ 1,115,271	\$ 1,277,556
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES:						
Accounts payable.....	\$ 158,520			\$ 87,614	\$ 87,614	\$ 91,263
Due to other funds.....					158,520	162,336
Unearned revenue.....					-	1,130
TOTAL LIABILITIES.....	158,520	-	-	87,614	246,134	254,729
FUND BALANCES:						
Committed.....	215,323	167,137	471,511	15,166	869,137	869,137
Assigned.....					-	153,690
TOTAL FUND BALANCES.....	215,323	167,137	471,511	15,166	869,137	1,022,827
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 373,843	\$ 167,137	\$ 471,511	\$ 102,780	\$ 1,115,271	\$ 1,277,556

(Concluded)

TOWN OF OLD LYME, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS								TOTAL
	SOCIAL WORKERS' FUND	MISCELLANEOUS FUND	DOG FUND	PRIVATE DUTY FUND	HARBOR MANAGEMENT FUND	TOWN WOODS PARK FUND	PUBLIC BUILDING IMPROVEMENT FUND	BUS BARN FUND	
REVENUES:									
Charges for services.....	\$	\$ 2,100	\$ 9,369	\$ 107,418	\$ 3,765	\$	\$ 6,357	\$ 50,000	\$ 179,009
Intergovernmental.....		32,826							32,826
Investment income.....			58		32	37	89	67	283
Contributions.....	10,930								10,930
Other.....		13,461							13,461
TOTAL REVENUES.....	10,930	48,387	9,427	107,418	3,797	37	6,446	50,067	236,509
EXPENDITURES:									
Current:									
General government.....		7,047					1,707		8,754
Parks and recreation.....					2,205				2,205
Other public safety.....		8,514	12,957						21,471
Police services.....		7,712		92,183					99,895
Health services.....	8,694	25,114							33,808
Debt service.....								10,730	10,730
TOTAL EXPENDITURES.....	8,694	48,387	12,957	92,183	2,205	-	1,707	10,730	176,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,236	-	(3,530)	15,235	1,592	37	4,739	39,337	59,646
OTHER FINANCING SOURCES (USES):									
Transfers out.....								(39,270)	(39,270)
NET CHANGE IN FUND BALANCES.....	2,236	-	(3,530)	15,235	1,592	37	4,739	67	20,376
FUND BALANCES - JULY 1, 2011.....	31,999		28,074	-	14,537	18,115	40,543	46	133,314
FUND BALANCES - JUNE 30, 2012.....	\$ 34,235	\$ -	\$ 24,544	\$ 15,235	\$ 16,129	\$ 18,152	\$ 45,282	\$ 113	\$ 153,690

(Continued)

SCHEDULE 5
(2 of 2)

TOWN OF OLD LYME, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONCLUDED)

	CAPITAL PROJECTS FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TOWN HALL EXPANSION PROJECT	CAPITAL NONRECURRING	LAND ACQUISITION	FIREFIGHTERS' EQUIPMENT	TOTAL	
REVENUES:						
Charges for services.....	\$	\$	\$	\$	\$ -	\$ 179,009
Intergovernmental.....	200,000				200,000	232,826
Investment income.....	566	3,892	210	39	4,707	4,990
Contributions.....			140,000		140,000	150,930
Other.....	1,000				1,000	14,461
TOTAL REVENUES.....	201,566	3,892	140,210	39	345,707	582,216
EXPENDITURES:						
Current:						
General government.....					-	8,754
Parks and recreation.....					-	2,205
Other public safety.....					-	21,471
Police services.....					-	99,895
Health services.....					-	33,808
Capital outlay.....	4,676			876,144	880,820	880,820
Debt service.....			143,100		143,100	153,830
TOTAL EXPENDITURES.....	4,676	-	143,100	876,144	1,023,920	1,200,783
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	196,890	3,892	(2,890)	(876,105)	(678,213)	(618,567)
OTHER FINANCING SOURCES (USES):						
Transfers in.....		24,137	75,000	410,000	509,137	509,137
Transfers out.....	(155,700)				(155,700)	(194,970)
NET OTHER FINANCING SOURCES (USES).....	(155,700)	24,137	75,000	410,000	353,437	314,167
NET CHANGE IN FUND BALANCES.....	41,190	28,029	72,110	(466,105)	(324,776)	(304,400)
FUND BALANCES - JULY 1, 2011.....	174,133	139,108	399,401	481,271	1,193,913	1,327,227
FUND BALANCES - JUNE 30, 2012.....	\$ 215,323	\$ 167,137	\$ 471,511	\$ 15,166	\$ 869,137	\$ 1,022,827

(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, 2012

	BALANCE JULY 1, 2011	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2012
<u>ASSET</u>				
CASH:				
Performance bonds.....	\$ 504,809	\$ 30,835	\$ 109,917	\$ 425,727
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE:				
Performance bonds.....	\$ 485,497	\$ 30,835	\$ 109,917	\$ 406,415
DUE TO OTHER FUNDS:				
Performance bonds.....	19,312			19,312
TOTAL LIABILITIES.....	\$ 504,809	\$ 30,835	\$ 109,917	\$ 425,727

Trend Information

TOWN OF OLD LYME, CONNECTICUT

NET ASSETS BY COMPONENT
LAST NINE YEARS
(UNAUDITED)

	FISCAL YEAR								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
GOVERNMENTAL ACTIVITIES:									
Invested in capital assets, net of related debt....	\$ 13,302,576	\$ 12,172,355	\$ 11,009,816	\$ 8,973,379	\$ 8,270,851	\$ 7,795,442	\$ 7,683,152	\$ 7,111,863	\$ 7,412,241
Restricted for:									
Capital projects.....	-	-	353,191	531,684	531,684	3,177,416			
Unrestricted.....	6,699,214	5,806,440	4,545,445	4,645,126	5,713,427	1,456,952	3,929,657	3,579,206	2,991,888
TOTAL NET ASSETS.....	\$ 20,001,790	\$ 17,978,795	\$ 15,908,452	\$ 14,150,189	\$ 14,515,962	\$ 12,429,810	\$ 11,612,809	\$ 10,691,069	\$ 10,404,129

TOWN OF OLD LYME, CONNECTICUT

CHANGES IN NET ASSETS
LAST NINE YEARS
(UNAUDITED)

	FISCAL YEAR								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
EXPENSES:									
General government.....	\$ 2,708,122	\$ 2,426,942	\$ 2,443,785	\$ 2,776,360	\$ 1,859,107	\$ 2,031,935	\$ 1,819,901	\$ 1,844,942	\$ 1,910,757
Public works.....	1,275,043	1,238,387	1,476,780	1,220,859	1,045,150	1,454,938	1,107,903	1,079,281	963,823
Parks and recreation.....	427,992	386,002	417,593	396,256	453,884	322,253	330,462	278,165	819,885
Other public safety.....	488,654	351,199	307,029	313,692	273,302	508,695	626,482	485,970	664,871
Social services.....	84,466	83,955	79,808	81,350	74,689	70,223	66,645	70,463	60,615
Fire services.....	761,987	698,564	642,124	589,697	624,176	414,250	283,557	291,630	277,208
Police services.....	886,192	781,859	819,740	897,176	735,102	742,553	673,391	629,447	596,341
Health services.....	156,946	150,025	147,568	138,107	311,626	297,434	287,771	280,395	275,446
Senior citizens.....	71,189	67,520	66,359	73,206	76,235	68,372	56,188	50,465	52,581
Sanitation.....	818,219	1,076,571	1,057,786	1,122,251	2,559,965	1,013,162	1,054,130	944,823	2,176,329
Education.....	23,285,508	22,632,353	22,467,474	22,326,280	21,593,555	21,001,614	19,907,714	19,154,498	17,230,288
Interest expense.....	110,426	107,192	99,624	206,575	110,596	48,909	21,980	27,234	42,706
TOTAL EXPENSES.....	31,074,744	30,000,569	30,025,670	30,141,809	29,717,387	27,974,338	26,236,124	25,137,313	25,070,850
PROGRAM REVENUES:									
Charges for services:									
General government.....	467,346	414,045	437,569	448,809	538,175	571,402	550,471	603,608	645,283
Public works.....	6,357	8,190	109,465	104,630	100,141	60,393	68,293	67,720	59,066
Parks and recreation.....	252,141	208,841	151,921	126,664	74,881	137,318	103,221	76,663	80,676
Other public safety.....	9,369	15,589	9,682	11,137	8,678	8,665	11,964	12,665	13,585
Fire services.....	420	850	1,260	400	45,278				
Police services.....	145,922	73,473	43,640	84,412	7,398	21,740	28,108	31,522	39,805
Health services.....	13,230	10,432	4,435	4,755	13,173	5,192	6,074		
Senior citizens.....	7,159	7,287	7,994	26,043	219,057	4,826	4,022	7,011	5,354
Sanitation.....	351,026	238,107	167,618	215,435	814,569	167,659	194,234	169,697	190,839
Education.....	64,461	63,755							
Operating grants and contributions.....	1,154,206	860,837	747,876	1,069,701	631,174	700,984	696,890	584,873	504,858
Capital grants and contributions.....	248,927	185,441	397,590	51,860		46,100	420,683	116,850	1,143,155
TOTAL PROGRAM REVENUES.....	2,720,564	2,086,847	2,079,050	2,143,846	2,452,524	1,724,279	2,083,960	1,670,609	2,682,621
NET EXPENSES:									
Governmental activities.....	(28,354,180)	(27,913,722)	(27,946,620)	(27,997,963)	(27,264,863)	(26,250,059)	(24,152,164)	(23,466,704)	(22,388,229)
GENERAL REVENUES:									
Property taxes.....	30,203,776	29,739,653	29,475,784	28,690,299	27,280,725	26,437,868	24,513,393	23,342,392	21,639,510
Grants and contributions not restricted to specific programs.....	142,982	178,588	138,473	170,751	196,051	180,686	222,446	141,606	136,410
Investment income.....	15,956	27,619	50,447	166,310	393,473	393,840	277,385	166,881	95,580
Gain on sale of land and building.....				25,060				38,881	
Miscellaneous.....	14,461	38,205	40,179	14,746	231,779	54,666	60,680	125,218	48,934
TOTAL GENERAL REVENUES.....	30,377,175	29,984,065	29,704,883	29,067,166	28,102,028	27,067,060	25,073,904	23,814,978	21,920,434
CHANGE IN NET ASSETS.....	\$ 2,022,995	\$ 2,070,343	\$ 1,758,263	\$ 1,069,203	\$ 837,165	\$ 817,001	\$ 921,740	\$ 348,274	\$ (467,795)

TOWN OF OLD LYME, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
YEAR ENDED JUNE 30, 2012

TOTAL TAX COLLECTIONS (including interest and lien fees):

For the year ended June 30, 2012..... \$ 30,114,937

	GENERAL PURPOSE	SCHOOLS	SEWERS	URBAN RENEWAL	PENSION DEFICIT
DEBT LIMITATION:					
2 1/4 times base.....	\$ 67,758,608	\$	\$	\$	\$
4 1/2 times base.....		135,517,217			
3 3/4 times base.....			112,931,014		
3 1/4 times base.....				97,873,545	
3 times base.....					90,344,811
TOTAL DEBT LIMITATION.....	<u>67,758,608</u>	<u>135,517,217</u>	<u>112,931,014</u>	<u>97,873,545</u>	<u>90,344,811</u>
INDEBTEDNESS:					
Bonds payable.....	3,725,000				
Notes payable.....	270,000				
Town's share of Regional School District No. 18 debt.....		39,123,000			
TOTAL INDEBTEDNESS.....	<u>3,995,000</u>	<u>39,123,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEBT LIMITATION IN EXCESS OF INDEBTEDNESS.....	<u>\$ 63,763,608</u>	<u>\$ 96,394,217</u>	<u>\$ 112,931,014</u>	<u>\$ 97,873,545</u>	<u>\$ 90,344,811</u>

NOTES: (1) The total of the above net indebtedness amounts to: \$ 43,118,000

In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 210,804,559

**State
Single
Audit**

TOWN OF OLD LYME, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM CORE CT NUMBER	EXPENDITURES
<u>OFFICE OF POLICY AND MANAGEMENT:</u>		
Property Tax Relief for Totally Disabled Homeowners.....	11000-OPM20600-17011	\$ 169
Property Tax Relief for Elderly and Totally Disabled Homeowners.....	11000-OPM20600-17018	38,327
Property Tax Relief for Veterans.....	11000-OPM20600-17024	5,547
Local Capital Improvement Program.....	12050-OPM20600-40254	48,927
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals.....	11000-OPM20600-17006	38,844
Payment in Lieu of Taxes (PILOT) on State-Owned Property...	11000-OPM20600-17004	30,375
<u>DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:</u>		
Historic Preservation Activities Grant.....	12060-ECD46840-90455	200,000
<u>DEPARTMENT OF EDUCATION:</u>		
Youth Services Bureau.....	11000-SDE64000-17052	20,114
Youth Services Bureau Enhancement.....	11000-SDE64000-16201	5,000
<u>DEPARTMENT OF EMERGENCY SERVICES & PUBLIC PROTECTION:</u>		
Nuclear Safety CT Yankee.....	12060-DPS32984-30464	717
Nuclear Safety Fund Dominion.....	12060-DPS32984-30465	8,250
<u>DEPARTMENT OF TRANSPORTATION:</u>		
Town Aid Road Grants Transportation Fund.....	12001-DOT57000-17036	114,781
<u>CONNECTICUT STATE LIBRARY:</u>		
Historic Documents Preservation Grant.....	12060-CSL66094-35150	3,500
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS.....		514,551
<u>EXEMPT PROGRAMS:</u>		
<u>DEPARTMENT OF EDUCATION:</u>		
Education Cost Sharing.....	11000-SDE64000-17041	605,586
<u>OFFICE OF POLICY AND MANAGEMENT:</u>		
Mashantucket Pequot and Mohegan Fund Grant.....	12009-OPM20600-17005	13,935
Municipal Revenue Sharing.....	12060-OPM20600-35458	1,117
TOTAL STATE FINANCIAL ASSISTANCE.....		<u>\$ 1,135,189</u>

See Note to Schedule of Expenditures of State Financial Assistance.

TOWN OF OLD LYME, CONNECTICUT

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

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, 2012. 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, 2012

- 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, 2012

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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 auditors' report issued on compliance for major programs: Unqualified

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	12001-DOT57000-17036	\$114,781
Department of Economic and Community Development:		
Historic Preservation Activities Grant	12060-ECD46840-90455	200,000
Dollar threshold used to distinguish between Type A and Type B programs:		\$100,000

II. FINANCIAL STATEMENT FINDINGS

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

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

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

INDEPENDENT AUDITORS' 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 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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 18, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Old Lyme, Connecticut is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control over financial reporting 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

We noted certain matters that we reported to management of the Town in a separate letter dated December 18, 2012.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity, the Office of Policy and Management, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CohnReznick LLP".

New London, Connecticut
December 18, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Board of Finance
Town of Old Lyme, Connecticut

Compliance

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 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, 2012. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on compliance based on our audit.

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. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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.

Internal Control Over Compliance (Continued)

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Finance, others within the entity, the Office of Policy and Management, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

New London, Connecticut
December 18, 2012