

**Annual Financial Report
of the
Town of Old Lyme, Connecticut
Year Ended June 30, 2016**

Town of Old Lyme, Connecticut

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Town of Old Lyme, Connecticut

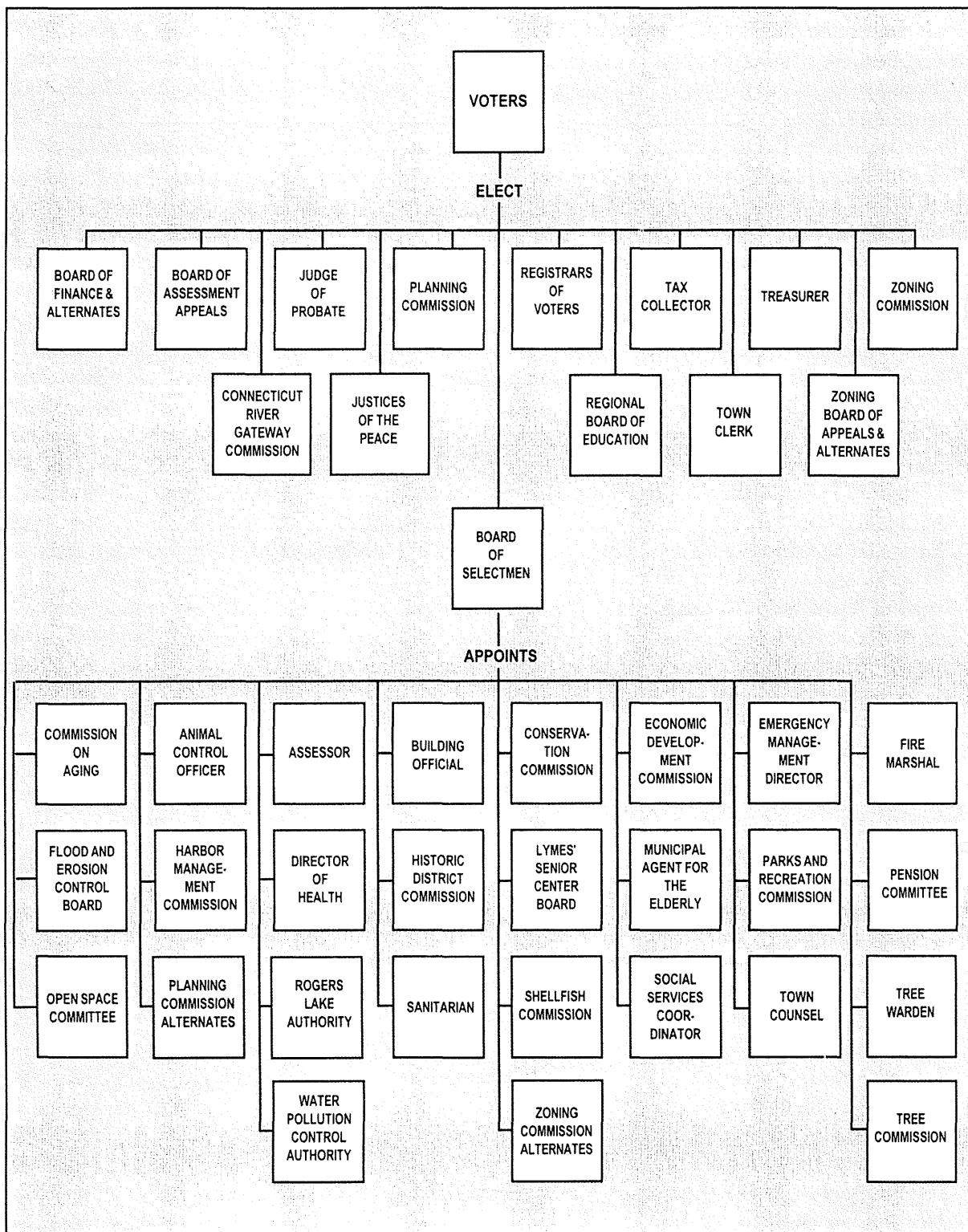
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Introductory Section

Town of Old Lyme, Connecticut

ORGANIZATION CHART



Financial Section

Independent Auditor's Report

To the Board of Finance
Town of Old Lyme, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Lyme, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Lyme, Connecticut, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the Town of Old Lyme, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Old Lyme, Connecticut's internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
October 31, 2016



TOWN OF OLD LYME

Management's Discussion and Analysis Year Ended June 30, 2016

52 Lyme Street
Old Lyme, CT 06371
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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, 2016.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2016 fiscal year by \$27,720,501. Of this amount, \$10,916,572 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$2,727,981. The most significant reason for the increase was the positive general fund operations.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,757,897, an increase of \$1,675,517 in comparison with the prior year. This again was mostly the result of positive general fund operations.
- At the end of the 2016 fiscal year, unassigned fund balance for the general fund was \$7,857,179, or 23.3% of total general fund expenditures and transfers out.
- The Town's total long-term obligations decreased by \$258,146 (7.2%) during the 2016 fiscal year due to annual scheduled pay down on bonded debt, a debt refunding, decreases in compensated absences and the annual decrease in the estimated liability for landfill post-closure costs.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

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

The Town maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and harbor management dredging project, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided on Schedules 4 and 5.

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$27,720,501 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (60.6%) 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.

Summary Statement of Net Position

	2016	2015
Current and other assets	\$ 12,611,123	\$ 10,649,715
Capital assets (net)	<u>19,568,929</u>	<u>18,809,004</u>
 Total assets	 <u>32,180,052</u>	 <u>29,458,719</u>
 Deferred outflows of resources	 <u>37,745</u>	 -
Current liabilities	1,493,604	1,172,653
Long-term liabilities	<u>2,918,523</u>	<u>3,175,053</u>
 Total liabilities	 <u>4,412,127</u>	 <u>4,347,706</u>
 Deferred inflows of resources	 <u>85,169</u>	 <u>118,493</u>
Net investment in capital assets	16,803,929	15,825,169
Unrestricted	<u>10,916,572</u>	<u>9,167,351</u>
 Total net position	 <u>\$ 27,720,501</u>	 <u>\$ 24,992,520</u>

Governmental activities. The Town's net position increased by \$2,727,981.

Statement of Changes in Net Position

	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,116,050	\$ 1,119,422
Operating grants and contributions	2,766,825	749,675
Capital grants and contributions	394,259	279,550
General revenues:		
Property taxes	32,462,970	31,962,357
Grants and contributions not restricted to specific programs	199,033	225,785
Investment income (loss)	32,392	14,805
Gain on sale of capital assets	3,800	-
Miscellaneous	15,742	22,424
Total revenues	36,991,071	34,374,018
Expenses:		
General government	2,624,926	2,870,319
Public works	1,289,785	1,324,016
Parks and recreation	1,930,981	491,930
Other public safety	346,905	403,834
Social services	105,457	93,486
Fire services	445,991	464,308
Police services	985,649	1,153,081
Health services	150,364	150,831
Senior citizens	189,321	218,980
Sanitation	1,101,146	1,014,480
Education	25,014,080	24,649,113
Interest expense	78,485	84,037
Total expenses	34,263,090	32,918,415
Change in net position	2,727,981	1,455,603
Net position - July 1	24,992,520	23,536,917
Net position - June 30	\$ 27,720,501	\$ 24,992,520

The key elements of this increase are as follows:

- Property taxes (including interest and liens) increased by \$500,613 (1.6%) during the year. This increase is due to the increase in the overall budget appropriation.
- Operating grants and contributions increased by \$2,017,150 (269.1%) due to grants in the current year for harbor dredging (\$1,434,780) and landfill closure (\$600,000).
- Parks and recreation expenses increased by \$1,439,051 (292.5%) due to costs associated with the harbor dredging project.
- Education increased by \$364,967 (1.5%) due to the cost allocation from Regional School District #18.

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

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,757,897, an increase of \$1,675,517 in comparison with the prior year. Approximately 73.0% of this total amount (\$7,857,152) 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 (\$658,924), Committed (\$1,401,957), and Assigned (\$839,864).

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 \$7,857,179, while total fund balance reached \$9,050,712. 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 23.3% of total general fund expenditures and transfers out, while total fund balance represents 26.8% of that same amount.

The fund balance of the Town's general fund increased by \$1,419,860 during the current fiscal year. The increase is comprised as follows:

- Property taxes collected exceeded the budgeted amount by \$348,730
- Charges for services exceeded the budget amount by \$91,570
 - Parking revenue \$32,755
 - Town Clerk of \$43,183
- Intergovernmental revenues exceeded budget amount by \$551,035 due to one time reimbursement from DEEP for \$600,000 of prior year landfill closure costs

- Town department budget estimates exceeded actual amounts expended
 - Insurance \$102,216
 - Old Lyme Fire Department \$74,720
 - Old Lyme Municipal Police \$139,498

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$149,500. The increases in appropriations are detailed as follows:

- Ethics commission \$5,000
- Capital outlay – general government (Town Clerk vault HVAC) \$19,500
- Capital outlay – public safety (Fire/Police Boat) \$125,000

Harbor Management Dredging Project

This fund accounts for financial resources to be used for the study and potential dredging of two rivers located in the Town. During the year ended June 30, 2016, the revenues and expenditures totaled \$1,434,780.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets amounts to \$19,568,929 (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 \$759,925 or 4.0%. Major capital asset events during the current fiscal year included the following:

- Public works purchased a dump truck with plow and sander \$155,534
- Public works replaced below ground gas tanks with above ground \$145,876
- Fire/Police departments in process of outfitting a new boat \$194,995.
- Public works road improvement plan included all roads in Rogers Lake area \$395,507

Capital Assets (Net of Depreciation)

	2016	2015
Land	\$ 3,647,356	\$ 3,647,356
Works of art	291,000	251,000
Construction in progress	315,209	80,786
Buildings and improvements	5,700,227	5,664,206
Land improvements	1,159,696	1,184,381
Machinery, vehicles and equipment	3,629,100	3,561,856
Infrastructure	<u>4,826,341</u>	<u>4,419,419</u>
 Total	 <u>\$ 19,568,929</u>	 <u>\$ 18,809,004</u>

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

Long-term debt. At the end of the current fiscal year, the Town had bonded debt outstanding of \$2,765,000. All debt is backed by the full faith and credit of the Town.

General Obligation Bonds/Notes

	<u>2016</u>	<u>2015</u>
General obligation bonds	<u>\$ 2,765,000</u>	<u>\$ 2,950,000</u>

The Town's total bonded debt decreased by \$185,000 during the current fiscal year due to the schedule principal payments on general obligation bonds. The Town also completed a refunding during the fiscal year.

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. The current debt limitation for the Town is \$226,437,925, 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 2016 was 4.3%. This compares favorably with the Norwich/New London labor market area's unemployment rate of 5.8% and the State of Connecticut's rate of 5.8% for the same period. The unemployment rates for the State, Norwich/New London and Town labor markets increased 1.8%, 1.7% and 0.0%, respectively, for the period from June 2015 to June 2016 due to current national economic conditions.

It is anticipated that the Town of Old Lyme's portion of the Regional School District No. 18 operating budget will increase by 1.7% due to general increases in salaries/employee benefits/special education costs as well as the changes in head count of Old Lyme students.

Major capital projects for the Town include the Sound View/Bike Path Improvement Project, Hains Park Boathouse, Academy Lane Fire Dock, Public Works Salt Shed, and the resurfacing of floors at the Public Works facility. There are ongoing road and drainage projects that are funded through the Town budget.

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

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

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

All of these factors were considered during the preparation of the Town's budget for the 2016/2017 fiscal year.

Requests for Information

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

Basic Financial Statements

Town of Old Lyme, Connecticut

**Statement of Net Position
Governmental Activities
June 30, 2016**

Assets

Current assets:

Cash	\$ 1,216,678
Investments	9,829,056
Receivables:	
Property taxes	452,982
Intergovernmental	
Other	67,524
Prepaid amounts	658,924
	<hr/>
Total current assets	12,225,164

Noncurrent assets:

Receivables (net):	
Property taxes	385,959

Capital assets (net of accumulated depreciation):

Land	3,647,356
Works of art	291,000
Construction in progress	315,209
Buildings and improvements	5,700,227
Land improvements	1,159,696
Machinery, vehicles and equipment	3,629,100
Infrastructure	4,826,341

Total capital assets (net of depreciation)	19,568,929
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Total noncurrent assets	19,954,888
-------------------------	------------

Total assets	32,180,052
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Deferred Outflows of Resources

Deferred charge on refunding	37,745
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(Continued)

**Exhibit A
(2 of 2)**

Town of Old Lyme, Connecticut

**Statement of Net Position
Governmental Activities
June 30, 2016**

Liabilities

Current liabilities:

Accounts payable	\$ 871,319
Accrued liabilities	130,529
Unearned revenue	72,658
Bonds and related liabilities	310,000
Landfill postclosure costs	16,000
Compensated absences	<u>93,098</u>
Total current liabilities	<u>1,493,604</u>

Noncurrent liabilities:

Bonds and related liabilities	2,455,000
Landfill postclosure costs	416,000
Compensated absences	<u>47,523</u>
Total noncurrent liabilities	<u>2,918,523</u>
Total liabilities	<u>4,412,127</u>

Deferred Inflows of Resources

Advanced property tax collections	<u>85,169</u>
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Net Position

Net investment in capital assets	16,803,929
Unrestricted	<u>10,916,572</u>
Total net position	<u>\$ 27,720,501</u>

(Concluded)

See Notes to Financial Statements.

Town of Old Lyme, Connecticut

Statement of Activities
Governmental Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,624,926	\$ 526,326	\$ 2,068,787	\$ 115,000	\$ 85,187
Public works	1,289,785	4,508	-	279,259	(1,006,018)
Parks and recreation	1,930,981	236,599	-	-	(1,694,382)
Other public safety	346,905	14,597	61,183	-	(271,125)
Social services	105,457	-	-	-	(105,457)
Fire services	445,991	650	-	-	(445,341)
Police services	985,649	51,975	35,120	-	(898,554)
Health services	150,364	15,397	7,123	-	(127,844)
Senior citizens	189,321	48,707	-	-	(140,614)
Sanitation	1,101,146	148,907	-	-	(952,239)
Education	25,014,080	68,384	594,612	-	(24,351,084)
Interest expense	78,485	-	-	-	(78,485)
Total	\$ 34,263,090	\$ 1,116,050	\$ 2,766,825	\$ 394,259	\$ (29,985,956)
General revenues:					
Property taxes					\$ 32,462,970
Grants and contributions not restricted to specific programs					199,033
Investment income					32,392
Gain on sale of capital assets					3,800
Miscellaneous					15,742
Total general revenues					32,713,937
Change in net position					2,727,981
Net position - July 1, 2015					24,992,520
Net position - June 30, 2016					\$ 27,720,501

Town of Old Lyme, Connecticut

Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 651,869	\$ 564,809	\$ 1,216,678
Investments	9,028,269	800,787	9,829,056
Receivables:			
Property taxes	790,387	-	790,387
Other	29,103	19,109	48,212
Due from other funds	34,047	386,207	420,254
Prepaid amounts	658,924	-	658,924
Total assets	\$ 11,192,599	\$ 1,770,912	\$ 12,963,511
Liabilities			
Accounts payable	\$ 864,405	\$ 6,914	\$ 871,319
Accrued liabilities	130,529	-	130,529
Due to other funds	386,207	14,735	400,942
Unearned revenue	30,580	42,078	72,658
Total liabilities	1,411,721	63,727	1,475,448
Deferred Inflows of Resources			
Unavailable revenue - property taxes	644,997	-	644,997
Advanced property tax collections	85,169	-	85,169
Total deferred inflows of resources	730,166	-	730,166
Fund Balances			
Nonspendable	658,924	-	658,924
Committed	-	1,401,957	1,401,957
Assigned	534,609	305,255	839,864
Unassigned	7,857,179	(27)	7,857,152
Total fund balances	9,050,712	1,707,185	10,757,897
Total liabilities, deferred inflows of resources and fund balances	\$ 11,192,599	\$ 1,770,912	\$ 12,963,511

(Continued)

Town of Old Lyme, Connecticut

**Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2016**

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

Total fund balance (Exhibit C, Page 1) \$ 10,757,897

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

Beginning net capital assets	18,809,004
Current year capital asset additions	1,224,473
Depreciation expense	(459,548)
Disposal of capital assets	(5,000)

Other long-term assets are not available resources and, therefore, are not reported in the funds:

Interest receivable on property taxes	196,554
Allowance for doubtful accounts	(148,000)

Other long-term assets and deferred outflows are not available to pay for current period expenditures and, therefore, are unavailable in the funds:

Property tax receivable - accrual basis change	644,997
Deferred charge on refunding	37,745

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

Bonds payable	(2,765,000)
Landfill postclosure costs	(432,000)
Compensated absences	<u>(140,621)</u>

Net position of governmental activities \$ 27,720,501

(Concluded)

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	Harbor Management Dredging Project	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 32,484,141	\$ -	\$ -	\$ 32,484,141
Charges for services	977,872	- -	138,178	1,116,050
Intergovernmental	1,641,583	1,434,780	24,212	3,100,575
Investment income	29,207	- -	3,185	32,392
Contributions	- -	- -	144,542	144,542
Other revenue	- -	- -	15,742	15,742
Total revenues	35,132,803	1,434,780	325,859	36,893,442
Expenditures:				
Current:				
General government	2,168,087	- -	113,727	2,281,814
Boards and commissions	315,156	- -	- -	315,156
Public works	791,177	- -	395,507	1,186,684
Parks and recreation	363,261	1,434,780	46,529	1,844,570
Other public safety	334,957	- -	12,696	347,653
Social services	97,422	- -	- -	97,422
Fire services	320,352	- -	- -	320,352
Police services	734,138	- -	33,102	767,240
Health services	64,301	- -	25,519	89,820
Senior citizens	126,586	- -	35,557	162,143
Other associations	337,500	- -	- -	337,500
Sanitation	1,117,146	- -	- -	1,117,146
Chartered associations	71,700	- -	- -	71,700
Education	25,014,080	- -	- -	25,014,080
Capital outlay	920,561	- -	- -	920,561
Debt service	357,719	- -	47,420	405,139
Total expenditures	33,134,143	1,434,780	710,057	35,278,980
Excess (deficiency) of revenues over expenditures	1,998,660	- -	(384,198)	1,614,462
Other financing sources (uses):				
Transfers in	38,400	- -	827,013	865,413
Transfers out	(626,000)	- -	(239,413)	(865,413)
Proceeds from sale of capital assets	8,800	- -	- -	8,800
Proceeds of refunding bonds	- -	- -	2,765,000	2,765,000
Payment to refunded bond escrow agent	- -	- -	(2,712,745)	(2,712,745)
Net other financing sources (uses)	(578,800)	- -	639,855	61,055
Net change in fund balances	1,419,860	- -	255,657	1,675,517
Fund balances - July 1, 2015	7,630,852	- -	1,451,528	9,082,380
Fund balances - June 30, 2016	\$ 9,050,712	\$ - -	\$ 1,707,185	\$ 10,757,897

See Notes to Financial Statements.

Town of Old Lyme, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,675,517
--	--------------

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	1,109,473
Donated capital assets	115,000
Depreciation expense	<u>(459,548)</u>
Total	<u>764,925</u>

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

(5,000)

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

Change in property tax receivable - accrual basis change	(27,422)
Change in property tax interest and lien revenue	19,251
Change in allowance for doubtful accounts	<u>(13,000)</u>
Total	<u>(21,171)</u>

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

Debt issued or incurred:	
Issuance of refunding bonds	(2,765,000)
Deferred charge on refunding bonds	<u>37,745</u>
Principal repayments:	
General obligation bonds	275,000
Bonds refunded	2,675,000
Premiums	<u>33,835</u>
Total	<u>256,580</u>

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

Compensated absences	23,311
Landfill closure and postclosure	16,000
Accrued interest payable	<u>17,819</u>
Total	<u>57,130</u>

Change in net position of governmental activities (Exhibit B)

\$ 2,727,981

See Notes to Financial Statements.

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 32,135,411	\$ 32,135,411	\$ 32,484,141	\$ 348,730
Charges for services	895,102	895,102	977,872	82,770
Intergovernmental	1,090,548	1,090,548	1,641,583	551,035
Investment income	11,580	11,580	29,207	17,627
Total revenues	34,132,641	34,132,641	35,132,803	1,000,162
Expenditures:				
Current:				
General government	2,454,666	2,449,866	2,177,887	271,979
Boards and commissions	450,383	455,683	319,756	135,927
Public works	852,297	852,297	797,277	55,020
Parks and recreation	410,989	410,989	363,261	47,728
Other public safety	377,320	377,320	339,557	37,763
Social services	98,823	98,823	97,422	1,401
Fire services	383,212	387,712	305,255	82,457
Police services	887,349	887,349	747,423	139,926
Health services	64,474	64,474	64,301	173
Senior citizens' activities	134,589	134,589	126,586	8,003
Other associations	337,500	337,500	337,500	-
Sanitation	1,229,411	1,229,411	1,105,305	124,106
Chartered associations	71,700	71,700	71,700	-
Regional School District No. 18	25,014,080	25,014,080	25,014,080	-
Debt service:				
Redemption of debt	275,000	275,000	275,000	-
Interest on debt	82,719	82,719	82,719	-
Capital outlay	1,006,129	1,150,629	1,025,905	124,724
Total expenditures	34,130,641	34,280,141	33,250,934	1,029,207
Excess (deficiency) of revenues over expenditures	2,000	(147,500)	1,881,869	2,029,369
Other financing sources (uses):				
Appropriation of fund balance	600,000	749,500	-	(749,500)
Proceeds from sale of capital assets	-	-	8,800	8,800
Cancellation of prior year encumbrances	-	-	37,353	37,353
Transfers in	24,000	24,000	38,400	14,400
Transfers out	(626,000)	(626,000)	(626,000)	-
Net other financing sources (uses)	(2,000)	147,500	(541,447)	(688,947)
Net change in fund balance	\$ -	\$ -	1,340,422	\$ 1,340,422
Fund balance - July 1, 2015			7,175,681	
Fund balance - June 30, 2016			\$ 8,516,103	

See Notes to Financial Statements.

Town of Old Lyme, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency</u> <u>Funds</u>
<u>Assets</u>	
Cash	<u>\$ 372,733</u>
<u>Liabilities</u>	
Liabilities:	
Accounts payable	353,421
Due to other funds	<u>19,312</u>
Total liabilities	<u>\$ 372,733</u>

See Notes to Financial Statements.

Town of Old Lyme, Connecticut**Notes to Financial Statements**
June 30, 2016**History, organization and reporting entity**

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

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

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

B. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Agency funds have no measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016

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

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

The Town reports the following major governmental funds:

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

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

Additionally, the Town reports the following fund type:

Agency Funds are used to account for performance bonds.

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

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity****1. Deposits and investments**

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

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

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

2. Receivables and payables**a. Interfunds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

b. Property taxes and other receivables

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

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

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**3. Capital assets**

Capital assets, which include buildings, building improvements, land improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. Compensated absences

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

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

5. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

Town of Old Lyme, Connecticut**Notes to Financial Statements**
June 30, 2016

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding which results from the difference in the carry value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town only has one item that qualifies for reporting in this category.

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

7. Fund equity and net position

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

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**8. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

9. Reclassifications

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

II. Stewardship, compliance and accountability**A. Budgets and budgetary accounting**

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

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016

- 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 \$149,500 from fund balance.

- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Budget - GAAP reconciliation

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

	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis, Exhibit F - June 30, 2016	\$ 33,250,934	\$ 8,516,103
Encumbrances outstanding at June 30, 2015 liquidated during the fiscal year	155,612	-
Encumbrances outstanding at June 30, 2015 and 2016	-	262,206
Encumbrances outstanding at June 30, 2016 charged to budgetary expenditures during the fiscal year	(272,403)	272,403
Balance, GAAP basis, Exhibit D - June 30, 2016	<u>\$ 33,134,143</u>	<u>\$ 9,050,712</u>

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**C. Deficit fund balance**

The following fund had a deficit fund balance at June 30, 2016.

<u>Special Revenue Fund</u>		
Bus Barn Fund	\$	27

Future intergovernmental revenues will be used to fund the deficit.

III. Detailed notes**A. Cash and investments**

1. Deposits - custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$10,537,941 of the Town's bank balance of \$11,287,941 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 9,409,147
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>1,128,794</u>
Total amount subject to custodial credit risk	<u>\$10,537,941</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, 2016, the Town's investments consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

Investment Maturities (in Years)

Type of Investment	Fair Value	Less than 1 Year
Bank money markets/CDs	\$ 9,028,269	\$ 9,028,269
Repurchase agreements	<u>800,787</u>	<u>800,787</u>
Total	<u>\$ 9,829,056</u>	<u>\$ 9,829,056</u>

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016Repurchase agreements

The Town has repurchase agreements outstanding at fiscal year end. The details of the agreements are as follows

Amount:	\$ 800,787
Market value of underlying investments	840,000
Interest rates	0.98% and 0.90%
Maturity value	807,624
Maturity date	May 2017

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.

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

	Property Taxes		
	Taxes	Interest & Lien Fees	Total
Current portion	\$ 335,694	\$ 117,288	\$ 452,982
Long-term portion	\$ 454,693	\$ 79,266	\$ 533,959
Less allowance for uncollectible	(119,000)	(29,000)	(148,000)
Net long-term portion	\$ 335,693	\$ 50,266	\$ 385,959

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**C. Capital assets**

Capital asset activity for the fiscal year was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 3,647,356	\$ -	\$ -	\$ 3,647,356
Works of art	251,000	40,000	-	291,000
Construction in progress	80,786	234,423	-	315,209
Total capital assets, not being depreciated	<u>3,979,142</u>	<u>274,423</u>	-	<u>4,253,565</u>
Capital assets, being depreciated:				
Buildings and improvements	6,451,153	110,333	-	6,561,486
Land improvements	1,545,320	-	-	1,545,320
Machinery, vehicles and equipment	5,774,377	369,210	50,000	6,093,587
Infrastructure	4,925,491	470,507	-	5,395,998
Total capital assets, being depreciated	<u>18,696,341</u>	<u>950,050</u>	<u>50,000</u>	<u>19,596,391</u>
Total capital assets	<u>22,675,483</u>	<u>1,224,473</u>	<u>50,000</u>	<u>23,849,956</u>
Less accumulated depreciation for:				
Buildings and improvements	786,947	74,312	-	861,259
Land improvements	360,939	24,685	-	385,624
Machinery, vehicles and equipment	2,212,521	296,966	45,000	2,464,487
Infrastructure	506,072	63,585	-	569,657
Total accumulated depreciation	<u>3,866,479</u>	<u>459,548</u>	<u>45,000</u>	<u>4,281,027</u>
Total capital assets, being depreciated, net	<u>14,829,862</u>	<u>490,502</u>	<u>5,000</u>	<u>15,315,364</u>
Capital assets, net	<u>\$ 18,809,004</u>	<u>\$ 764,925</u>	<u>\$ 5,000</u>	<u>\$ 19,568,929</u>

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

General government	\$ 151,955
Public works	124,322
Parks and recreation	33,102
Other public safety	1,066
Fire services	119,251
Police services	22,855
Senior citizens	<u>6,997</u>
Total depreciation expense	<u>\$ 459,548</u>

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**D. Interfund accounts****1. Interfund payables and receivables**

A summary of interfund balances is as follows:

	Corresponding Fund	Due from	Due to
Major funds:			
General fund:			
Miscellaneous fund	N/A	\$ -	\$ 33,291
Dog fund	N/A	360	-
Private duty fund	N/A	-	37,116
Harbor management fund	N/A	624	-
Public building improvement fund	N/A	8,091	-
Senior center board fund	N/A	5,349	-
Bus barn fund	N/A	311	-
Hains park boathouse	N/A	-	311,307
Road improvement fund	N/A	-	4,493
Performance bonds	N/A	19,312	-
Total general fund		34,047	386,207
Nonmajor funds:			
Special revenue funds:			
Miscellaneous fund	General fund	33,291	-
Dog fund	General fund	-	360
Private duty fund	General fund	37,116	-
Harbor management fund	General fund	-	624
Public building improvement fund	General fund	-	8,091
Senior center board fund	General fund	-	5,349
Bus barn fund	General fund	-	311
Capital projects funds:			
Hains park boathouse	General fund	311,307	-
Road improvement fund	General fund	4,493	-
Total nonmajor funds		386,207	14,735
Fiduciary funds:			
Performance bonds	General fund	-	19,312
Grand total		\$ 420,254	\$ 420,254

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**2. Interfund transfers**

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding Fund	Transfers In	Transfers Out
Major funds:			
General fund:			
Capital nonrecurring	N/A	\$ -	\$ 20,000
Town building improvement	N/A	-	1,000
Land acquisition	N/A	-	75,000
Firefighters' equipment	N/A	-	130,000
Road improvement fund	N/A	-	400,000
Bus barn fund	N/A	38,400	-
Total general fund		38,400	626,000
Nonmajor funds:			
Special revenue funds:			
Bus barn fund	General fund	-	38,400
Bus barn fund	Capital nonrecurring	-	21,600
Capital projects funds:			
Town hall expansion project	Town building improvement	-	179,413
Capital nonrecurring	Bus Barn fund	21,600	-
Capital nonrecurring	General fund	20,000	-
Town building improvement	General fund	1,000	-
Town building improvement	Town hall expansion project	179,413	-
Road improvement fund	General fund	400,000	-
Firefighters' equipment	General fund	130,000	-
Land acquisition	General fund	75,000	-
Total nonmajor funds		827,013	239,413
Grand total		\$ 865,413	\$ 865,413

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**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, 2015	Additions	Deductions	Balance June 30, 2016	Current Portion
Bonds - general	\$ 4,200,000	10/15/09	10/15/24	2.0% - 3.5%	\$ 2,950,000	\$ -	\$ 2,950,000	\$ -	\$ -
Bonds- refunding	2,765,000	6/30/16	9/15/2024	1.44%		2,765,000	-	2,765,000	310,000
Premiums					33,835	-	33,835	-	-
Total bonds and related liabilities					2,983,835	2,765,000	2,983,835	2,765,000	310,000
Landfill postclosure costs					448,000	-	16,000	432,000	16,000
Compensated absences					163,932	55,233	78,544	140,621	93,098
Total long-term obligations					\$ 3,595,767	\$ 2,820,233	\$ 3,078,379	\$ 3,337,621	\$ 419,098

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, 2016, the outstanding bonded indebtedness of the District was \$34,325,000. The Town of Old Lyme's share will be approximately 79.2%, which totaled \$27,185,400. These are general obligations of Regional School District No. 18 and its member towns.

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

The annual requirements to amortize bonds payable are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	\$ 310,000	\$ 25,971	\$ 335,971
2018	320,000	33,048	353,048
2019	320,000	28,440	348,440
2020	315,000	23,868	338,868
2021	310,000	19,368	329,368
2022	305,000	14,940	319,940
2023	300,000	10,584	310,584
2024	295,000	6,300	301,300
2025	290,000	2,088	292,088
Total	\$2,765,000	\$ 164,607	\$2,929,607

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**2. Landfill closure and postclosure care costs**

State and Federal laws and regulations require that the Town of Old Lyme place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town closed and covered its landfill. Monitoring costs and estimated repairs and maintenance for the next 27 years at \$16,000 per year are \$432,000. The postclosure care amounts are estimates which are subject to changes due to inflation, technology or applicable landfill laws and regulations.

3. Authorized/unissued bonds

There are no authorized/unissued bonds at June 30, 2016.

4. Statutory debt limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 72,783,619	\$ 2,765,000	\$ 70,018,619
Schools	145,567,238	27,185,400	118,381,838
Sewers	121,306,031	-	121,306,031
Urban renewal	105,131,894	-	105,131,894
Pension deficit	97,044,825	-	97,044,825

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$226,437,925.

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.

5. Current Year Advance Refunding

In June 2016, the Town issued \$2,765,000 of general obligation refunding bonds with an interest rate of 1.44%. These refunding bonds were issued to advance and defease bonds issued in 2009. The refunding resulted in an economic gain of \$113,147 with a total savings of \$127,956.

Town of Old Lyme, Connecticut

Notes to Financial Statements
June 30, 2016**F. Fund balance classifications**

As of June 30, 2016, fund balances are composed of the following:

Fund Balance Component	General Fund	Nonmajor Funds	Total
Nonspendable:			
Prepaid items	\$ 658,924	\$ -	\$ 658,924
Committed:			
Approved CNR projects	-	1,401,957	1,401,957
Assigned:			
General government	10,000	14,258	24,258
Boards and commissions	27,700	-	27,700
Public works	9,000	-	9,000
Parks and recreation	-	33,936	33,936
Other public safety	5,000	31,504	36,504
Fire services	3,695	-	3,695
Police services	18,000	46,603	64,603
Health services	-	57,140	57,140
Senior citizens	-	121,814	121,814
Capital outlay	461,214	-	461,214
Total assigned	534,609	305,255	839,864
Unassigned	7,857,179	(27)	7,857,152
Total	\$ 9,050,712	\$ 1,707,185	\$ 10,757,897

Town of Old Lyme, Connecticut**Notes to Financial Statements**
June 30, 2016**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.

C. Pension plans**Defined contribution Town of Old Lyme pension plan**

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

Town of Old Lyme, Connecticut**Notes to Financial Statements**
June 30, 2016

For the year ended June 30, 2016, the Town and Regional School District No. 18's payroll of eligible individuals covered by the plan was \$5,500,342. Employee contributions totaled \$71,981, or 1.3%, of covered payroll, and the Town and District recognized pension expense of \$440,027, or 8% of covered payroll.

The Town has no liability to the Plan at June 30, 2016.

Defined contribution volunteer firefighters' retirement plan

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 fiscal year was \$54,895.

Supplemental Schedules

General Fund

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

Town of Old Lyme, Connecticut

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Property taxes:				
Property taxes	\$ 31,938,411	\$ 31,938,411	\$ 32,244,213	\$ 305,802
Interest and lien fees	160,000	160,000	204,417	44,417
Telephone access line grant	37,000	37,000	35,511	(1,489)
Total property taxes	32,135,411	32,135,411	32,484,141	348,730
Charges for services:				
Building department	150,000	150,000	174,944	24,944
Health department	5,000	5,000	10,370	5,370
Parks and recreation department	35,000	35,000	46,474	11,474
Parking lot	95,000	95,000	127,755	32,755
Town Woods Park reimbursement	35,060	35,060	28,735	(6,325)
Planning commission	1,000	1,000	1,360	360
Selectmen's office	8,000	8,000	15,035	7,035
Town clerk's office	220,000	220,000	263,183	43,183
Assessor	2,000	2,000	971	(1,029)
Zoning commission	3,900	3,900	3,472	(428)
Zoning board of appeals	8,000	8,000	5,645	(2,355)
Inland/wetlands	3,000	3,000	2,780	(220)
Engineering/legal reimbursements	21,600	21,600	7,332	(14,268)
Historic District commission	200	200	320	120
Fire marshal	400	400	650	250
Senior center reimbursement	20,672	20,672	27,922	7,250
Recycling	200	200	1,521	1,321
Landfill	85,000	85,000	109,490	24,490
Parking fines	16,000	16,000	8,284	(7,716)
Cell phone tower lease	26,400	26,400	28,037	1,637
Capital Assets Proceeds	1,000	1,000	1,800	800
Beach stickers and permits	28,000	28,000	33,535	5,535
Septage transfer	70,000	70,000	37,896	(32,104)
School crossing guard	16,000	16,000	6,535	(9,465)
OLVNA reimbursement	7,800	7,800	5,027	(2,773)
COBRA reimbursement	1,500	1,500	2,942	1,442
Workers comp reimbursement	-	-	909	909
Ambulance fuel reimbursement	10,000	10,000	5,232	(4,768)
Pension reimbursement	3,800	3,800	1,849	(1,951)
Registrar reimbursement	-	-	2,349	2,349
Miscellaneous	10,010	10,010	9,170	(840)
Beach patrol reimbursement	10,560	10,560	6,348	(4,212)
Total charges for services	895,102	895,102	977,872	82,770
Intergovernmental:				
LOCIP	49,000	49,000	49,358	358
Historic preservation grant	5,000	5,000	3,000	(2,000)
Emergency management/FEMA	40,000	40,000	61,183	21,183
Education equalization grant	605,000	605,000	594,612	(10,388)
PILOT - state property	28,600	28,600	-	(28,600)
Miscellaneous state grants	5,000	5,000	9,828	4,828
PILOT - colleges	31,058	31,058	-	(31,058)
Mashantucket Pequot grant	14,200	14,200	15,371	1,171
Tax relief elderly	30,000	30,000	31,079	1,079
Veterans' tax exempt	5,500	5,500	3,231	(2,269)
Town aid road	230,000	230,000	229,901	(99)
DEEP-Landfill Closure	-	-	600,000	600,000
DOT-SV Bike Path & Improvement grant	-	-	8,900	8,900
State police DWI	47,190	47,190	35,120	(12,070)
Total intergovernmental	1,090,548	1,090,548	1,641,583	551,035
Investment income:				
Interest on investments	11,580	11,580	29,207	17,627
Total revenues	34,132,641	34,132,641	35,132,803	1,000,162
Other financing sources:				
Appropriation of fund balance	600,000	749,500	-	(749,500)
Proceeds from sale of capital assets	-	-	8,800	8,800
Cancellation of prior year encumbrances	-	-	37,353	37,353
Transfers in:				
Bus barn fund	24,000	24,000	38,400	14,400
Total other financing sources	624,000	773,500	84,553	(688,947)
Total revenues and other financing sources	\$ 34,756,641	\$ 34,906,141	\$ 35,217,356	\$ 311,215

Town of Old Lyme, Connecticut

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
General government:				
Selectmen's office	\$ 242,449	\$ 242,449	\$ 234,488	\$ 7,961
Town clerk	114,506	114,506	112,299	2,207
Tax collector	99,311	99,311	90,497	8,814
Treasurer	152,644	152,644	146,806	5,838
Registrar	33,797	33,797	32,487	1,310
Information technology	89,426	89,426	77,201	12,225
Probate court	5,800	5,800	5,678	122
Assessor	127,148	127,148	122,567	4,581
Building department	102,729	102,729	99,480	3,249
Health department	218,506	223,506	187,184	36,322
Town hall	140,500	140,500	111,543	28,957
Insurance	718,650	708,850	606,634	102,216
Special deductions	<u>409,200</u>	<u>409,200</u>	<u>351,023</u>	<u>58,177</u>
Total general government	<u>2,454,666</u>	<u>2,449,866</u>	<u>2,177,887</u>	<u>271,979</u>
Boards and commissions:				
Harbor management commission	1,000	1,000	800	200
Economic development commission	20	20	-	20
Ethics commission	25	5,025	-	5,025
Water management authority	89,300	89,300	56,197	33,103
Board of finance	10,271	10,271	9,177	1,094
Flood and erosion control board	540	540	479	61
Historic district commission	4,600	4,900	4,870	30
Tree commission	16,050	16,050	13,731	2,319
Board of assessment appeals	1,253	1,253	1,214	39
Rogers Lake authority	15,408	15,408	13,794	1,614
Land use	285,318	285,318	198,266	87,052
Sound View	10,675	10,675	9,572	1,103
Conservation commission	4,623	4,623	398	4,225
Open space	<u>11,300</u>	<u>11,300</u>	<u>11,258</u>	<u>42</u>
Total boards and commissions	<u>450,383</u>	<u>455,683</u>	<u>319,756</u>	<u>135,927</u>
Public works:				
Public works expenditures	<u>852,297</u>	<u>852,297</u>	<u>797,277</u>	<u>55,020</u>
Parks and recreation:				
Parks and recreation	220,739	220,739	206,351	14,388
Town Woods Park	167,750	167,750	136,141	31,609
Fireworks/Memorial day	<u>22,500</u>	<u>22,500</u>	<u>20,769</u>	<u>1,731</u>
Total parks and recreation	<u>410,989</u>	<u>410,989</u>	<u>363,261</u>	<u>47,728</u>
Other public safety:				
Animal control	69,859	69,859	57,205	12,654
Emergency management	20,850	20,850	17,580	3,270
Valley shore communications	149,000	149,000	142,870	6,130
Ambulance	<u>137,611</u>	<u>137,611</u>	<u>121,902</u>	<u>15,709</u>
Total other public safety	<u>377,320</u>	<u>377,320</u>	<u>339,557</u>	<u>37,763</u>

(Continued)

Town of Old Lyme, Connecticut

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Social services:				
Social service	\$ 17,823	\$ 17,823	\$ 16,422	\$ 1,401
Lyme's youth services	81,000	81,000	81,000	-
Total social services	98,823	98,823	97,422	1,401
Fire services:				
Old Lyme fire department	229,822	234,322	159,602	74,720
Fire protection	29,000	29,000	27,794	1,206
Fire marshal	64,390	64,390	60,998	3,392
Firemen's incentive plan	60,000	60,000	56,861	3,139
Total fire services	383,212	387,712	305,255	82,457
Police services:				
Resident state police	145,500	205,500	205,072	428
Municipal police	741,849	681,849	542,351	139,498
Total police services	887,349	887,349	747,423	139,926
Health services:				
Social services agencies	3,792	3,792	3,792	-
VNA	60,682	60,682	60,509	173
Total health services	64,474	64,474	64,301	173
Senior citizens' activities:				
Estuary transit district	13,647	13,647	13,647	-
Estuary services	34,807	34,807	34,807	-
Senior center	86,135	86,135	78,132	8,003
Total senior citizens' activities	134,589	134,589	126,586	8,003
Other associations	337,500	337,500	337,500	-
Sanitation:				
Municipal refuse collection	383,557	383,557	384,037	(480)
Single stream recycling	193,742	193,742	194,082	(340)
CT Resources Recovery Authority	242,000	242,000	181,874	60,126
Recycling	44,170	44,170	37,062	7,108
Household hazardous waste	27,000	27,000	18,131	8,869
Transfer station	238,942	238,942	237,725	1,217
Septage	100,000	100,000	52,394	47,606
Total sanitation	1,229,411	1,229,411	1,105,305	124,106

(Continued)

Town of Old Lyme, Connecticut

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Chartered associations:				
Point O' Woods	\$ 13,200	\$ 13,200	\$ 13,200	\$ -
Old Lyme shores	8,650	8,650	8,650	-
Old colony beach	9,100	9,100	9,100	-
Miami beach	20,100	20,100	20,100	-
White sands beach	14,100	14,100	14,100	-
Roger's lake west shore	3,000	3,000	3,000	-
Hawks' nest beach	1,550	1,550	1,550	-
Edge Lea	2,000	2,000	2,000	-
Total chartered associations	71,700	71,700	71,700	-
Regional School District No. 18	25,014,080	25,014,080	25,014,080	-
Redemption of debt:				
Town Hall expansion	275,000	275,000	275,000	-
Interest on debt:				
Town Hall expansion	82,719	82,719	82,719	-
Capital outlay:				
General government	141,543	161,043	130,941	30,102
Public works	170,000	170,000	165,541	4,459
Public safety	239,586	364,586	325,109	39,477
Public works roads and projects	455,000	455,000	404,314	50,686
Total capital outlay	1,006,129	1,150,629	1,025,905	124,724
Total expenditures	34,130,641	34,280,141	33,250,934	1,029,207
Other financing uses:				
Transfers out:				
Firefighters' equipment	130,000	130,000	130,000	-
Capital nonrecurring - revaluation	20,000	20,000	20,000	-
Town building improvement	1,000	1,000	1,000	-
Road improvement fund	400,000	400,000	400,000	-
Land acquisition	75,000	75,000	75,000	-
Total other financing uses	626,000	626,000	626,000	-
Total expenditures and other financing uses	\$ 34,756,641	\$ 34,906,141	\$ 33,876,934	\$ 1,029,207

(Concluded)

Town of Old Lyme, Connecticut

Report of Property Tax Collector
Year Ended June 30, 2016

Grand List Year	Uncollected Taxes July 1, 2015	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2016
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
Suspense	\$ -	\$ -	\$ 2,702	\$ -	\$ -	\$ 2,702	\$ 2,702	\$ 2,608	\$ -	\$ 5,310	\$ -
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	147	-	-	-	-	147	-	-	-	-	147
2002	131	-	-	-	-	131	-	-	-	-	131
2003	-	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-	-
2006	1,503	-	-	-	-	1,503	-	195	-	195	1,503
2007	3,079	-	-	-	-	3,079	-	-	-	-	3,079
2008	4,826	-	-	-	-	4,826	1,017	362	48	1,427	3,809
2009	16,677	-	39	-	-	16,716	10,443	10,179	96	20,718	6,273
2010	30,736	-	99	-	-	30,835	19,225	13,757	192	33,174	11,610
2011	97,917	-	124	1,246	16,625	80,170	33,798	22,292	240	56,330	46,372
2012	156,680	-	238	1,225	-	155,693	57,908	24,475	600	82,983	97,785
2013	405,755	-	1,291	4,453	-	402,593	189,783	42,525	1,200	233,508	212,810
Total Prior Years	717,451	-	4,493	6,924	16,625	698,395	314,876	116,393	2,376	433,645	383,519
2014	-	32,386,397	71,707	222,253	-	32,235,851	31,828,983	85,607	40	31,914,630	406,868
Total	\$ 717,451	\$ 32,386,397	\$ 76,200	\$ 229,177	\$ 16,625	\$ 32,934,246	\$ 32,143,859	\$ 202,000	\$ 2,416	\$ 32,348,275	\$ 790,387

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, 2016

	Special Revenue Funds										Total
	Social Workers' Fund	Miscellaneous Fund	Dog Fund	Private Duty Fund	Harbor Management Fund	Town Woods Park Fund	Public Building Improvement Fund	Senior Center Board Fund	Bus Barn Fund		
Assets											
Cash	\$ 61,140	\$ -	\$ 36,469	\$ -	\$ 21,275	\$ 13,285	\$ 22,349	\$ 127,163	\$ 284	\$ 281,965	
Receivables:											
Other	-	4,787	-	9,487	-	-	-	-	-	-	14,274
Due from other funds	-	33,291	-	37,116	-	-	-	-	-	-	70,407
Total assets	\$ 61,140	\$ 38,078	\$ 36,469	\$ 46,603	\$ 21,275	\$ 13,285	\$ 22,349	\$ 127,163	\$ 284	\$ 366,646	
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ 4,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,605	
Due to other funds	-	-	360	-	624	-	8,091	5,349	311	14,735	
Unearned revenue	4,000	38,078	-	-	-	-	-	-	-	-	42,078
Total liabilities	4,000	38,078	4,965	-	624	-	8,091	5,349	311	61,418	
Fund balances:											
Assigned	57,140	-	31,504	46,603	20,651	13,285	14,258	121,814	-	305,255	
Unassigned	-	-	-	-	-	-	-	-	(27)	(27)	
Total fund balances	57,140	-	31,504	46,603	20,651	13,285	14,258	121,814	(27)	305,228	
Total liabilities and fund balances	\$ 61,140	\$ 38,078	\$ 36,469	\$ 46,603	\$ 21,275	\$ 13,285	\$ 22,349	\$ 127,163	\$ 284	\$ 366,646	

(Continued)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Capital Projects Funds								Total Nonmajor Governmental Funds
	Town Hall Expansion Project	Capital Nonrecurring	Town Building Improvement	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Road Improvement	Total	
<u>Assets</u>									
Cash	\$ -	\$ 66,779	\$ 117,794	\$ 97,246	\$ 1,025	\$ -	\$ -	\$ 282,844	\$ 564,809
Investments				400,331	400,456				800,787
Receivables:									
Other	4,835	-	-	-	-	-	-	4,835	19,109
Due from other funds	-	-	-	-	-	311,307	4,493	315,800	386,207
Total assets	\$ 4,835	\$ 66,779	\$ 117,794	\$ 497,577	\$ 401,481	\$ 311,307	\$ 4,493	\$ 1,404,266	\$ 1,770,912
<u>Liabilities and Fund Balances</u>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,309	\$ -	\$ 2,309	\$ 6,914
Due to other funds	-	-	-	-	-	-	-	-	14,735
Unearned revenue	-	-	-	-	-	-	-	-	42,078
Total liabilities	-	-	-	-	-	2,309	-	2,309	63,727
Fund balances:									
Committed	4,835	66,779	117,794	497,577	401,481	308,998	4,493	1,401,957	1,401,957
Assigned	-	-	-	-	-	-	-	-	305,255
Unassigned	-	-	-	-	-	-	-	-	(27)
Total fund balances	4,835	66,779	117,794	497,577	401,481	308,998	4,493	1,401,957	1,707,185
Total liabilities and fund balances	\$ 4,835	\$ 66,779	\$ 117,794	\$ 497,577	\$ 401,481	\$ 311,307	\$ 4,493	\$ 1,404,266	\$ 1,770,912

(Concluded)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds										
	Social Workers' Fund	Miscellaneous Fund	Dog Fund	Private Duty Fund	Harbor Management Fund	Town Woods Park Fund	Public Building Improvement Fund	Senior Center Board Fund	Bus Barn Fund	Total	
Revenues:											
Charges for services	\$ -	\$ 2,482	\$ 9,365	\$ 37,343	\$ 3,595	\$ -	\$ 4,508	\$ 20,785	\$ 60,000	\$ 138,078	
Intergovernmental	-	24,212	-	-	-	-	-	-	-	24,212	
Investment income	38	-	79	-	54	37	58	80	75	421	
Contributions	7,123	6,795	-	-	-	-	-	129,624	-	143,542	
Other revenue	-	15,091	-	-	-	-	-	-	-	15,091	
Total revenues	7,161	48,580	9,444	37,343	3,649	37	4,566	150,489	60,075	321,344	
Expenditures:											
Current:											
General government.	-	22,768	-	-	-	-	564	-	-	23,332	
Parks and recreation	-	1,600	-	-	1,830	5,000	-	-	-	8,430	
Other public safety	-	-	4,605	-	-	-	8,091	-	-	12,696	
Police services	-	-	-	33,102	-	-	-	-	-	33,102	
Health services	1,307	24,212	-	-	-	-	-	-	-	25,519	
Senior citizens	-	-	-	-	-	-	-	35,557	-	35,557	
Total expenditures	1,307	48,580	4,605	33,102	1,830	5,000	8,655	35,557	-	138,636	
Excess (deficiency) of revenues over expenditures	5,854	-	4,839	4,241	1,819	(4,963)	(4,089)	114,932	60,075	182,708	
Other financing sources (uses):											
Transfers out	-	-	-	-	-	-	-	-	(60,000)	(60,000)	
Net change in fund balances	5,854	-	4,839	4,241	1,819	(4,963)	(4,089)	114,932	75	122,708	
Fund balances - July 1, 2015	51,286	-	26,665	42,362	18,832	18,248	18,347	6,882	(102)	182,520	
Fund balances - June 30, 2016	\$ 57,140	\$ -	\$ 31,504	\$ 46,603	\$ 20,651	\$ 13,285	\$ 14,258	\$ 121,814	\$ (27)	\$ 305,228	

(Continued)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

Capital Projects Funds											Total Nonmajor Governmental Funds
Town Hall Expansion Project	Capital Nonrecurring	Town Building Improvement	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Road Improvement	Total				
Revenues:											
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ 100	\$ 138,178			
Intergovernmental	-	-	-	-	-	-	-	24,212			
Investment income	-	68	381	1,523	792	-	-	2,764	3,185		
Contributions	-	-	-	-	-	1,000	-	1,000	144,542		
Other revenue	651	-	-	-	-	-	-	651	15,742		
Total revenues	651	68	381	1,523	792	1,100	-	4,515	325,859		
Expenditures:											
Current:											
General government	-	27,395	63,000	-	-	-	-	90,395	113,727		
Public works	-	-	-	-	-	-	395,507	395,507	395,507		
Parks and recreation	-	-	-	-	-	38,099	-	38,099	46,529		
Other public safety	-	-	-	-	-	-	-	-	12,696		
Police services	-	-	-	-	-	-	-	-	33,102		
Health services	-	-	-	-	-	-	-	-	25,519		
Senior citizens	-	-	-	-	-	-	-	-	35,557		
Debt service	47,420	-	-	-	-	-	-	47,420	47,420		
Total expenditures	47,420	27,395	63,000	-	-	38,099	395,507	571,421	710,057		
Excess (deficiency) of revenues over expenditures	(46,769)	(27,327)	(62,619)	1,523	792	(36,999)	(395,507)	(566,906)	(384,198)		
Other financing sources (uses):											
Transfers in	-	41,600	180,413	75,000	130,000	-	400,000	827,013	827,013		
Transfers out	(179,413)	-	-	-	-	-	-	(179,413)	(239,413)		
Proceeds of refunding bonds	2,765,000	-	-	-	-	-	-	2,765,000	2,765,000		
Payment to refunded bond escrow agent	(2,712,745)	-	-	-	-	-	-	(2,712,745)	(2,712,745)		
Net other financing sources (uses)	(127,158)	41,600	180,413	75,000	130,000	-	400,000	699,855	639,855		
Net change in fund balances	(173,927)	14,273	117,794	76,523	130,792	(36,999)	4,493	132,949	255,657		
Fund balances - July 1, 2015	178,762	52,506	-	421,054	270,689	345,997	-	1,269,008	1,451,528		
Fund balances - June 30, 2016	\$ 4,835	\$ 66,779	\$ 117,794	\$ 497,577	\$ 401,481	\$ 308,998	\$ 4,493	\$ 1,401,957	\$ 1,707,185		

(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.

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, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Asset</u>				
Cash:				
Performance bonds	<u>\$ 373,878</u>	<u>\$ 975</u>	<u>\$ 2,120</u>	<u>\$ 372,733</u>
<u>Liabilities</u>				
Accounts payable:				
Performance bonds	<u>\$ 354,566</u>	<u>\$ 975</u>	<u>\$ 2,120</u>	<u>\$ 353,421</u>
Due to other funds:				
Performance bonds	<u>19,312</u>	<u>-</u>	<u>-</u>	<u>19,312</u>
Total liabilities	<u>\$ 373,878</u>	<u>\$ 975</u>	<u>\$ 2,120</u>	<u>\$ 372,733</u>

Trend Information

Table 1

Town of Old Lyme, Connecticut										
Net Position by Component Last Ten Years (Unaudited)										
	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$ 16,803,929	\$ 15,825,169	\$ 15,512,237	\$ 14,663,770	\$ 13,302,576	\$ 12,172,355	\$ 11,009,816	\$ 8,973,379	\$ 8,270,851	\$ 7,795,442
Restricted for:										
Capital projects	-	-	-	-	-	-	353,191	531,684	531,684	3,177,416
Unrestricted	10,916,572	9,167,351	8,024,680	7,070,073	6,699,214	5,806,440	4,545,445	4,645,126	5,713,427	1,456,952
Total net position	<u>\$ 27,720,501</u>	<u>\$ 24,992,520</u>	<u>\$ 23,536,917</u>	<u>\$ 21,733,843</u>	<u>\$ 20,001,790</u>	<u>\$ 17,978,795</u>	<u>\$ 15,908,452</u>	<u>\$ 14,150,189</u>	<u>\$ 14,515,962</u>	<u>\$ 12,429,810</u>

Table 2

Town of Old Lyme, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
General government	\$ 2,624,926	\$ 2,870,319	\$ 2,828,319	\$ 2,390,703	\$ 2,708,122	\$ 2,426,942	\$ 2,443,785	\$ 2,776,360	\$ 1,859,107	\$ 2,031,935
Public works	1,289,785	1,324,016	1,306,797	1,345,789	1,275,043	1,238,387	1,476,780	1,220,859	1,045,150	1,454,938
Parks and recreation	1,930,981	491,930	494,022	382,947	427,992	386,002	417,593	396,256	453,884	322,253
Other public safety	346,905	403,834	330,743	658,678	488,654	351,199	307,029	313,692	273,302	508,695
Social services	105,457	93,486	90,972	83,896	84,466	83,955	79,808	81,350	74,689	70,223
Fire services	445,991	464,308	510,386	453,464	761,987	698,564	642,124	589,697	624,176	414,250
Police services	985,649	1,153,081	1,152,650	1,104,710	886,192	781,859	819,740	897,176	735,102	742,553
Health services	150,364	150,831	149,989	156,327	156,946	150,025	147,568	138,107	311,626	297,434
Senior citizens	189,321	218,980	189,045	108,339	71,189	67,520	66,359	73,206	76,235	68,372
Sanitation	1,101,146	1,014,480	1,087,838	1,399,954	818,219	1,076,571	1,057,786	1,122,251	2,559,965	1,013,162
Education	25,014,080	24,649,113	24,314,383	24,293,158	23,285,508	22,632,353	22,467,474	22,326,280	21,593,555	21,001,614
Interest expense	78,485	84,037	92,090	138,124	110,426	107,192	99,624	206,575	110,596	48,909
Total expenses	34,263,090	32,918,415	32,547,234	32,516,089	31,074,744	30,000,569	30,025,670	30,141,809	29,717,387	27,974,338
Program revenues:										
Charges for services:										
General government	526,326	488,866	543,511	515,669	467,346	414,045	437,569	448,809	538,175	571,402
Public works	4,508	4,239	4,728	7,888	6,357	8,190	109,465	104,630	100,141	60,393
Parks and recreation	236,599	198,812	207,337	215,018	252,141	208,841	151,921	126,664	74,881	137,318
Other public safety	14,597	19,337	18,376	17,987	9,369	15,589	9,682	11,137	8,678	8,665
Social services	-	-	-	-	-	-	-	-	-	-
Fire services	650	360	400	380	420	850	1,260	400	45,278	-
Police services	51,975	89,059	49,359	70,117	145,922	73,473	43,640	84,412	7,398	21,740
Health services	15,397	10,688	14,904	15,425	13,230	10,432	4,435	4,755	13,173	5,192
Senior citizens	48,707	48,905	54,155	13,668	7,159	7,287	7,994	26,043	219,057	4,826
Sanitation	148,907	193,509	165,702	223,304	351,026	238,107	167,618	215,435	814,569	167,659
Education	68,384	65,647	64,571	65,054	64,461	63,755	-	-	-	-
Operating grants and contributions	2,766,825	749,675	963,519	1,029,382	1,154,206	860,837	747,876	1,069,701	631,174	700,984
Capital grants and contributions	394,259	279,550	793,642	795,262	248,927	185,441	397,590	51,860	-	46,100
Total program revenues	4,277,134	2,148,647	2,880,204	2,969,154	2,720,564	2,086,847	2,079,050	2,143,846	2,452,524	1,724,279
Net expenses:										
Governmental activities	(29,985,956)	(30,769,768)	(29,667,030)	(29,546,935)	(28,354,180)	(27,913,722)	(27,946,620)	(27,997,963)	(27,264,863)	(26,250,059)
General revenues:										
Property taxes	32,462,970	31,962,357	31,275,151	31,072,048	30,203,776	29,739,653	29,475,784	28,690,299	27,280,725	26,437,868
Grants and contributions not restricted to specific programs	199,033	225,785	167,440	180,486	142,982	178,588	138,473	170,751	196,051	180,686
Investment income	32,392	14,805	12,223	14,604	15,956	27,619	50,447	166,310	393,473	393,840
Gain on sale of capital assets	3,800	-	-	-	-	-	-	25,060	-	-
Miscellaneous	15,742	22,424	15,290	11,850	14,461	38,205	40,179	14,746	231,779	54,666
Total general revenues	32,713,937	32,225,371	31,470,104	31,278,988	30,377,175	29,984,065	29,704,883	29,067,166	28,102,028	27,067,060
Change in net position	\$ 2,727,981	\$ 1,455,603	\$ 1,803,074	\$ 1,732,053	\$ 2,022,995	\$ 2,070,343	\$ 1,758,263	\$ 1,069,203	\$ 837,165	\$ 817,001

Town of Old Lyme, Connecticut

Schedule of Debt Limitation
Year Ended June 30, 2016Total tax collections (including interest and lien fees): \$ 32,348,275

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 72,783,619	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	145,567,238	-	-	-
3 3/4 times base	-	-	121,306,031	-	-
3 1/4 times base	-	-	-	105,131,894	-
3 times base	-	-	-	-	97,044,825
Total debt limitation	72,783,619	145,567,238	121,306,031	105,131,894	97,044,825
Indebtedness:					
Bonds payable	2,765,000	-	-	-	-
Town's share of Regional School District No. 18 debt	-	27,185,400	-	-	-
Total indebtedness	2,765,000	27,185,400	-	-	-
Debt limitation in excess of indebtedness	\$ 70,018,619	\$ 118,381,838	\$ 121,306,031	\$ 105,131,894	\$ 97,044,825

NOTES: (1) The total of the above net indebtedness amounts to: \$ 29,950,400In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 226,437,925

**State
Single
Audit**

Town of Old Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2016

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core CT Number	Passed through to Subrecipients	Total Expenditures
Office of Policy and Management:			
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	\$ -	\$ 247
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	-	30,833
Property Tax Relief for Veterans	11000-OPM20600-17024	-	3,231
Local Capital Improvement Program	12050-OPM20600-40254	-	49,358
Municipal Grants-In-Aid	12052-OPM20600-43587	-	1,888
Department of Education:			
Youth Services Bureau	11000-SDE64000-17052	19,559	19,559
Youth Services Bureau Enhancement	11000-SDE64000-16201	4,653	4,653
Department of Emergency Services & Public Protection:			
Nuclear Emergency Safety Fund	12060-DPS32982-90428	-	12,463
Department of Energy and Environmental Protection:			
Closure of Town Landfill	12052-DEP43930-63011	-	600,000
Department of Transportation:			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455-34005	-	229,901
Deep Water Ports and Marina	12052-DOT57801-43509	-	1,434,780
Connecticut State Library:			
Historic Documents Preservation Grant	12060-CSL66094-35150	-	3,000
Total State Financial Assistance before Exempt Programs		24,212	2,389,913
Exempt Programs:			
Department of Education:			
Education Cost Sharing	11000-SDE64000-17041-82010	-	594,612
Office of Policy and Management:			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	15,371
Total State Financial Assistance		<u>\$ 24,212</u>	<u>\$ 2,999,896</u>

See Notes to Schedule of Expenditures of State Financial Assistance.

Town of Old Lyme, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance
June 30, 2016

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. 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.

1. 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 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.

2. Prior year audit findings and questioned costs

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, 2016

I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

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

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

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

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

State Grantor and Program	State Core CT Number	Expenditures
Department of Transportation: Town Aid Road Grants Transportation Fund Deep Water Ports and Marina	12052-DOT57131-43455-34005 12052-DOT57801-43509	\$ 229,901 1,434,780
Department of Energy and Environmental Protection: Closure of Town Landfill	12052-DEP43930-63011	600,000
Dollar threshold used to distinguish between type A and type B programs:		\$ 200,000

II. Financial Statement Findings:

None

III. State Financial Assistance Findings and Questioned Costs:

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

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

Board of Finance
Town of Old Lyme, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Old Lyme, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Hartford, Connecticut
October 31, 2016

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

Board of Finance
Town of Old Lyme, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Old Lyme, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2016. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Hartford, Connecticut
October 31, 2016