

**Annual Financial Report
of the
Town of Old Lyme, Connecticut
For The Year Ended June 30, 2017**

Town of Old Lyme, Connecticut

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Town of Old Lyme, Connecticut

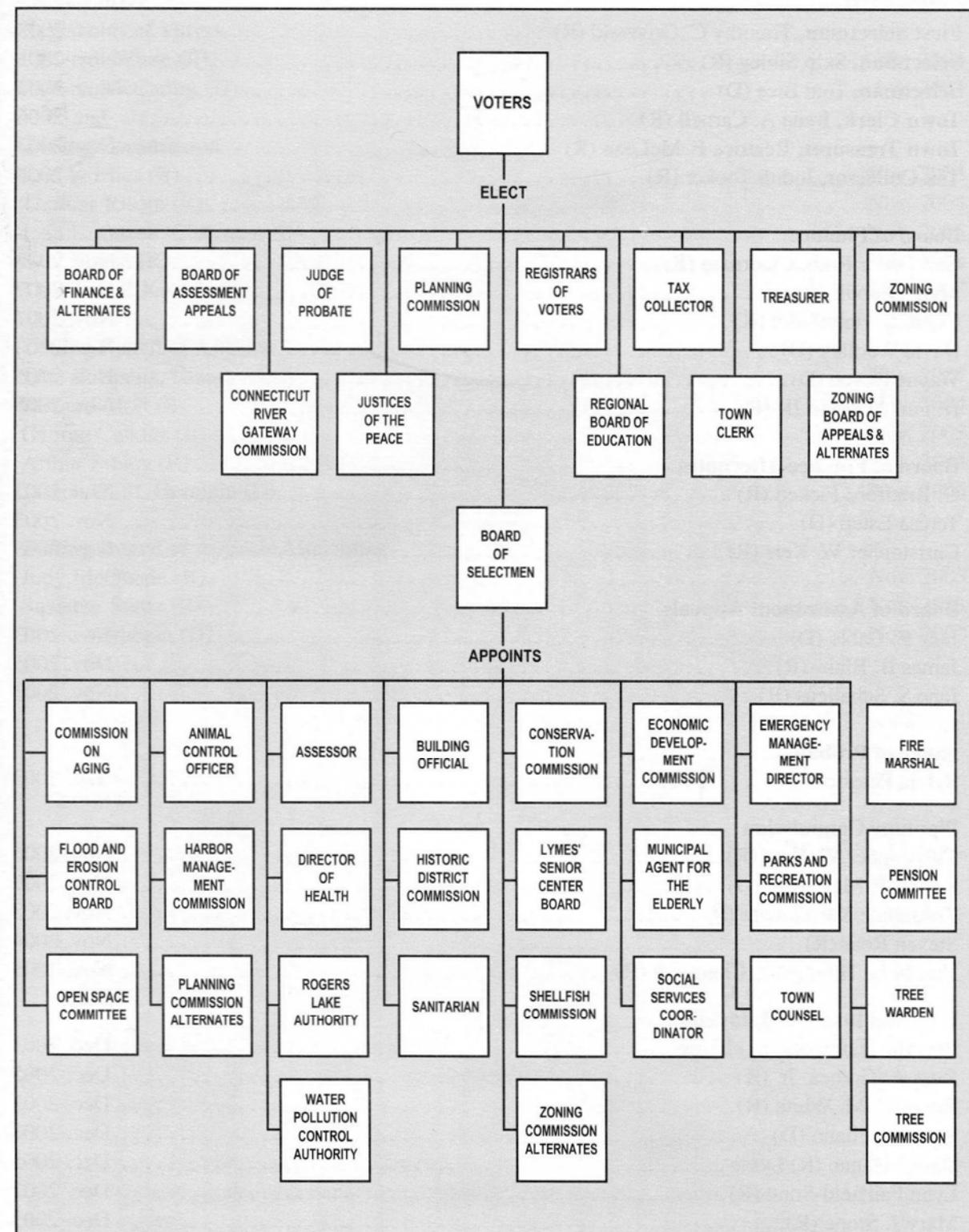
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Introductory Section

Town of Old Lyme, Connecticut

ORGANIZATION CHART



Financial Section

Independent Auditors' Report

**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, 2017, 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.

Auditors' 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 auditors' 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.

**Board of Finance
Town of Old Lyme, Connecticut**

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, 2017, 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.

Supplementary and 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.

**Board of Finance
Town of Old Lyme, Connecticut**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
November 13, 2017



TOWN OF OLD LYME

FINANCE

52 Lyme Street

Old Lyme, CT 06371

Management's Discussion and Analysis For the Year Ended June 30, 2017

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, 2017.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the 2017 fiscal year by \$30,867,492. Of this amount, \$11,709,604 (*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 \$3,146,991. The most significant reasons for the increase were the positive general fund operations and capital purchases in excess of depreciation expense.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,682,563, an increase of \$924,666 in comparison with the prior year. The most significant reasons for the increase were the positive general fund operations.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$8,606,041, or 24.8% of total budgetary general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$310,000 (11.2%) due to annual scheduled debt service payments.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

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

The Town reports governmental funds 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 Sound View Bike Path Improvement 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 \$30,867,492 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (62.0%) 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

	2017	2016
Current and other assets	\$ 13,086,599	\$ 12,611,123
Capital assets (net)	<u>21,612,888</u>	<u>19,568,929</u>
 Total assets	 <u>34,699,487</u>	 <u>32,180,052</u>
Deferred outflows of resources	33,551	37,745
 Current liabilities	 1,152,807	 1,493,604
Long-term liabilities	<u>2,592,709</u>	<u>2,918,523</u>
 Total liabilities	 <u>3,745,516</u>	 <u>4,412,127</u>
Deferred inflows of resources	120,030	85,169
 Net investment in capital assets	 19,157,888	 16,803,929
Unrestricted	<u>11,709,604</u>	<u>10,916,572</u>
 Total net position	 <u>\$ 30,867,492</u>	 <u>\$ 27,720,501</u>

Governmental activities. The Town's net position increased by \$3,146,991.

Statement of Changes in Net Position

	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,003,130	\$ 1,116,050
Operating grants and contributions	960,280	2,766,825
Capital grants and contributions	957,764	394,259
General revenues:		
Property taxes	33,587,370	32,462,970
Grants and contributions not restricted to specific programs	56,958	199,033
Investment income (loss)	59,925	32,392
Gain on sale of capital assets	-	3,800
Miscellaneous	-	15,742
Total revenues	<u>36,625,427</u>	<u>36,991,071</u>
Expenses:		
General government	2,747,576	2,624,926
Public works	1,242,170	1,289,785
Parks and recreation	464,329	1,930,981
Other public safety	397,308	346,905
Social services	110,570	105,457
Fire services	640,059	445,991
Police services	961,451	985,649
Health services	153,063	150,364
Senior citizens	198,121	189,321
Sanitation	957,297	1,101,146
Education	25,565,976	25,014,080
Interest expense	40,516	78,485
Total expenses	<u>33,478,436</u>	<u>34,263,090</u>
Change in net position	<u>3,146,991</u>	<u>2,727,981</u>
Net position - July 1	<u>27,720,501</u>	<u>24,992,520</u>
Net position - June 30	<u>\$ 30,867,492</u>	<u>\$ 27,720,501</u>

The key elements of this increase are as follows:

- Property taxes (including interest and liens) increased by \$1,124,400 (3.5%) during the year. This increase is due to the increase in the total budget appropriation.
- Operating grants and contributions decreased by \$1,846,970 (66.8%) due to one-time grants received in the prior year for harbor dredging (\$1,434,780) and landfill closure (\$600,000).
- Capital grants/contributions increased by \$563,505 (189.1%) due to \$478,000 from STEAP grant related to the Hains Park Boathouse.
- Charges for services decreased by \$112,920 (10.1%) in part due to elimination of septage transfer fees \$37,896 as well as slight decreases in Building and Town Clerk departments.
- Parks and recreation expenses decreased \$1,466,652 (75.9%) due to costs associated with the harbor dredging project in the prior year.
- Education increased by \$551,896 (2.2%) due to the cost allocation from Regional School District #18.
- Sanitation decreased by \$143,849 due to increased recycling and therefore lower tonnage amounts that are required to be disposed.

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 \$11,682,563, an increase of \$924,666 in comparison with the prior year. 73.7% of this total amount (\$8,606,129) 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 (\$641,325), Committed (\$1,432,182), and Assigned (\$1,002,927).

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 \$8,606,041, while total fund balance reached \$9,944,301. 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 24.8% of total budgetary general fund expenditures and transfers out, while total fund balance represents 28.7% of that same amount.

The fund balance of the Town's general fund increased by \$893,589 during the current fiscal year.

The increase was due to the following:

- Property taxes/interest & liens collected exceeded the budgeted amount by \$396,131
- Intergovernmental revenues exceeded budget amount by \$282,066 mostly due to ECS grant amount received but not budgeted of \$247,462
- Town department budget estimates exceeded actual amount expended as follows:
 - Old Lyme Municipal Police \$271,547 due to open officer positions
 - General Government \$226,679 due to savings on insurance
 - Board and Commission \$177,055 due to lower expenditure for the Water Management Authority and Land Use.

These positive variances were offset by the appropriation of fund balance totaling \$1,101,220.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$501,220. The increases in appropriations are detailed as follows:

- Paramedic services (Ambulance) \$7,600
- Replacement of circulator pumps (Town Hall R&M) \$17,000
- Sound View Bike Path Improvement Project (Transfer Out) \$234,620
- Capital outlay – general government (Academy Lane Fire Dock) \$110,000
- Capital outlay - Public works \$165,000 (Streetlight Replacement) \$132,000

Sound View Bike Path Improvement Project

This fund accounts for financial resources to be used for the improvements to Sound View Bike Path Improvement project. The project is being funded with a state grant and a transfer from the general fund. During the year the expenditures totaled \$719,500.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$21,612,888 (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 \$2,043,959 or 10.4%. Major capital asset events during the current fiscal year included the following:

- Public Works constructed new salt shed at PW garage \$140,315
- Public Works road improvement plan included reconstruction of several roads \$398,022
- The Town took ownership of Queen Anne Court \$250,000
- Construction in process included Academy Lane Fire Dock \$180,646, Sound View Bike Path Improvement Project \$719,501, and Hains Park Boathouse \$736,089

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

	<u>2017</u>	<u>2016</u>
Land	\$ 3,647,356	\$ 3,647,356
Works of art	291,000	291,000
Construction in progress	1,799,950	315,209
Buildings and improvements	5,861,614	5,700,227
Land improvements	1,135,011	1,159,696
Machinery, vehicles and equipment	3,526,259	3,629,100
Infrastructure	<u>5,351,698</u>	<u>4,826,341</u>
 Total	 <u>\$ 21,612,888</u>	 <u>\$ 19,568,929</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 \$2,455,000. All debt is backed by the full faith and credit of the Town.

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

	<u>2017</u>	<u>2016</u>
General obligation bonds	<u>\$ 2,455,000</u>	<u>\$ 2,765,000</u>

The Town's total debt decreased by \$310,000 during the current fiscal year due to pay down of general obligation bond.

In addition, the Town is responsible for 79.4% of debt service for Regional School District No. 18 which totals \$24,808,530 at year end.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the Town is \$235,467,519, 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 2017 was 4.2%. This compares favorably with the Norwich/New London labor market area's unemployment rate of 4.9% and the State of Connecticut's rate of 5.0% for the same period. The unemployment rates for the State and Norwich/New London area decreased by 3.8% and 10.9%, respectively while the Town labor markets increased 7.7%, for the period from June 2016 to June 2017 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 3.8% due to general increases in salaries/administrative costs as well as changes in head count of Old Lyme students.

Major capital projects nearing completion for the Town include the Sound View Bike Path Improvement Project and Hains Park Boathouse. New projects include Restrooms at Hains Park, Playground at Cross Lane Park, OSHA upgrades at Transfer Station, Town-Wide Streetlight LED Replacement and Police Station Renovations. 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. Purchases during the year included two Public Works vehicles with plows as well as a mini excavator and a police vehicle.

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

All of these factors were considered during the preparation of the Town's budget for the 2017/2018 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

**Exhibit A
(1 of 2)**

Town of Old Lyme, Connecticut

**Statement of Net Position
Governmental Activities
June 30, 2017**

Assets

Current assets:

Cash	\$ 1,510,413
Investments	9,797,425
Receivables:	
Property taxes	370,002
Intergovernmental	395,350
Other	50,310
Prepaid amounts	<u>641,325</u>
Total current assets	<u>12,764,825</u>

Noncurrent assets:

Receivables (net):	
Property taxes	<u>321,774</u>

Capital assets (net of accumulated depreciation):

Land	3,647,356
Works of art	291,000
Construction in progress	1,799,950
Buildings and improvements	5,861,614
Land improvements	1,135,011
Machinery, vehicles and equipment	3,526,259
Infrastructure	<u>5,351,698</u>

Total capital assets (net of depreciation)	<u>21,612,888</u>
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Total noncurrent assets	<u>21,934,662</u>
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Total assets	<u>34,699,487</u>
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Deferred Outflows of Resources

Deferred charge on refunding	<u>33,551</u>
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(Continued)

The notes to financial statements are an integral part of these statements.

**Exhibit A
(2 of 2)**

Town of Old Lyme, Connecticut

**Statement of Net Position
Governmental Activities
June 30, 2017**

Liabilities

Current liabilities:

Accounts payable	\$ 553,014
Accrued liabilities	9,850
Accrued interest payable	10,252
Unearned revenue	145,453
Bonds and related liabilities	320,000
Landfill postclosure costs	16,000
Compensated absences	<u>98,238</u>
 Total current liabilities	 <u>1,152,807</u>

Noncurrent liabilities:

Bonds and related liabilities	2,135,000
Landfill postclosure costs	400,000
Compensated absences	<u>57,709</u>
 Total noncurrent liabilities	 <u>2,592,709</u>
 Total liabilities	 <u>3,745,516</u>

Deferred Inflows of Resources

Advance property tax collections	<u>120,030</u>
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Net Position

Net investment in capital assets	19,157,888
Unrestricted	<u>11,709,604</u>
 Total net position	 <u>\$ 30,867,492</u>

(Concluded)

The notes to financial statements are an integral part of these statements.

Town of Old Lyme, Connecticut

Statement of Activities
Governmental Activities
For The Year Ended June 30, 2017

	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	\$ 2,747,576	\$ 483,380	\$ 624,835	\$ 250,000	\$ (1,389,361)
	Public works	1,242,170	4,329	-	229,764	(1,008,077)
	Parks and recreation	464,329	219,104	40,425	478,000	273,200
	Other public safety	397,308	12,013	28,087	-	(357,208)
	Social services	110,570	-	-	-	(110,570)
	Fire services	640,059	380	-	-	(639,679)
	Police services	961,451	43,409	12,865	-	(905,177)
	Health services	153,063	5,632	6,606	-	(140,825)
	Senior citizens	198,121	55,897	-	-	(142,224)
	Sanitation	957,297	112,942	-	-	(844,355)
	Education	25,565,976	66,044	247,462	-	(25,252,470)
	Interest expense	40,516	-	-	-	(40,516)
	Total	<u>\$ 33,478,436</u>	<u>\$ 1,003,130</u>	<u>\$ 960,280</u>	<u>\$ 957,764</u>	<u>\$ (30,557,262)</u>
	General revenues:					
	Property taxes					\$ 33,587,370
	Grants and contributions not restricted to specific programs					56,958
	Investment income					<u>59,925</u>
	Total general revenues					<u>33,704,253</u>
	Change in net position					3,146,991
	Net position - July 1, 2016					<u>27,720,501</u>
	Net position - June 30, 2017					<u>\$ 30,867,492</u>

Town of Old Lyme, Connecticut

Balance Sheet
Governmental Funds
June 30, 2017

	General	Sound View Bike Path Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 398,003	\$ -	\$ 1,112,410	\$ 1,510,413
Investments	9,296,850	-	500,575	9,797,425
Receivables:				
Property taxes	672,208	-	-	672,208
Intergovernmental	-	395,350	-	395,350
Other	22,705	-	8,293	30,998
Due from other funds	370,145	-	249,667	619,812
Prepaid amounts	641,325	-	-	641,325
Total assets	\$ 11,401,236	\$ 395,350	\$ 1,870,945	\$ 13,667,531
Liabilities				
Accounts payable	\$ 493,282	\$ 23,999	\$ 35,733	\$ 553,014
Accrued liabilities	9,850	-	-	9,850
Due to other funds	249,667	338,984	11,849	600,500
Unearned revenue	27,985	-	117,468	145,453
Total liabilities	780,784	362,983	165,050	1,308,817
Deferred Inflows of Resources				
Unavailable revenue - property taxes	556,121	-	-	556,121
Advance property tax collections	120,030	-	-	120,030
Total deferred inflows of resources	676,151	-	-	676,151
Fund Balances				
Nonspendable	641,325	-	-	641,325
Committed	-	32,367	1,399,815	1,432,182
Assigned	696,935	-	305,992	1,002,927
Unassigned	8,606,041	-	88	8,606,129
Total fund balances	9,944,301	32,367	1,705,895	11,682,563
Total liabilities, deferred inflows of resources and fund balances	\$ 11,401,236	\$ 395,350	\$ 1,870,945	\$ 13,667,531

(Continued)

The notes to financial statements are an integral part of these statements.

Town of Old Lyme, Connecticut

**Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2017**

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)	\$ 11,682,563
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning net capital assets	19,568,929
Current year capital asset additions	2,731,531
Depreciation expense	(469,069)
Disposal of capital assets	(218,503)

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

Interest receivable on property taxes	141,568
Allowance for doubtful accounts	(122,000)

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	556,121
Deferred charge on refunding	33,551

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

Bonds payable	(2,455,000)
Landfill postclosure costs	(416,000)
Accrued interest payable	(10,252)
Compensated absences	<u>(155,947)</u>

Net position of governmental activities	<u>\$ 30,867,492</u>
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(Concluded)

The notes to financial statements are an integral part of these statements.

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2017

	General	Sound View Bike Path - Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 33,705,232	\$ -	\$ -	\$ 33,705,232
Charges for services	884,249	-	118,881	1,003,130
Intergovernmental	695,507	517,247	505,642	1,718,396
Investment income	49,162	-	10,763	59,925
Contributions	-	-	6,606	6,606
 Total revenues	 35,334,150	 517,247	 641,892	 36,493,289
 Expenditures:				
Current:				
General government	2,297,204	-	8,910	2,306,114
Boards and commissions	319,500	-	-	319,500
Public works	821,896	719,500	398,202	1,939,598
Parks and recreation	381,877	-	741,214	1,123,091
Other public safety	348,578	-	1,095	349,673
Social services	100,570	-	-	100,570
Fire services	325,441	-	-	325,441
Police services	618,946	-	15,107	634,053
Health services	64,792	-	28,366	93,158
Senior citizens	131,155	-	37,053	168,208
Other associations	347,000	-	-	347,000
Sanitation	960,671	-	-	960,671
Chartered associations	71,700	-	-	71,700
Education	25,565,976	-	-	25,565,976
Capital outlay	933,900	-	-	933,900
Debt service	336,070	-	-	336,070
 Total expenditures	 33,625,276	 719,500	 1,229,947	 35,574,723
 Excess (deficiency) of revenues over expenditures	 1,708,874	 (202,253)	 (588,055)	 918,566
 Other financing sources (uses):				
Transfers in	43,235	234,620	651,600	929,455
Transfers out	(864,620)	-	(64,835)	(929,455)
Proceeds from sale of capital assets	6,100	-	-	6,100
 Net other financing sources (uses)	 (815,285)	 234,620	 586,765	 6,100
 Net change in fund balances	 893,589	 32,367	 (1,290)	 924,666
 Fund balances - July 1, 2016	 9,050,712	 -	 1,707,185	 10,757,897
 Fund balances - June 30, 2017	 \$ 9,944,301	 \$ 32,367	 \$ 1,705,895	 \$ 11,682,563

The notes to financial statements are an integral part of these 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
For The Year Ended June 30, 2017**

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)	\$ 924,666
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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	2,481,531
Donated capital assets	250,000
Depreciation expense	<u>(469,069)</u>
Total	2,262,462

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

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

Change in property tax receivable - accrual basis change	(88,876)
Change in property tax interest and lien revenue	(54,986)
Change in allowance for doubtful accounts	<u>26,000</u>
Total	(117,862)

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:	
Deferred charge on refunding bonds	(4,194)
Principal repayments:	
General obligation bonds	<u>310,000</u>
Total	305,806

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	(15,326)
Landfill closure and postclosure	16,000
Accrued interest payable	<u>(10,252)</u>
Total	(9,578)
Change in net position of governmental activities (Exhibit B)	<u>\$ 3,146,991</u>

The notes to financial statements are an integral part of these statements.

Town of Old Lyme, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 33,309,070	\$ 33,309,070	\$ 33,705,232	\$ 396,162
Charges for services	829,627	829,627	884,249	54,622
Intergovernmental	413,441	413,441	695,507	282,066
Investment income	18,000	18,000	49,162	31,162
Total revenues	34,570,138	34,570,138	35,334,150	764,012
Expenditures:				
Current:				
General government	2,534,593	2,548,683	2,322,004	226,679
Boards and commissions	488,455	488,855	311,800	177,055
Public works	896,207	896,207	820,596	75,611
Parks and recreation	426,520	426,520	381,877	44,643
Other public safety	370,293	377,893	347,378	30,515
Social services	102,747	102,747	100,570	2,177
Fire services	387,443	388,248	344,339	43,909
Police services	875,790	877,495	605,946	271,549
Health services	65,142	65,142	64,792	350
Senior citizens' activities	140,219	140,219	131,155	9,064
Other associations	347,000	347,000	347,000	-
Sanitation	1,046,255	1,046,255	971,171	75,084
Chartered associations	71,700	71,700	71,700	-
Regional School District No. 18	25,565,976	25,565,976	25,565,976	-
Debt service	351,188	351,188	336,070	15,118
Capital outlay	909,010	1,151,010	1,108,283	42,727
Total expenditures	34,578,538	34,845,138	33,830,657	1,014,481
Excess (deficiency) of revenues over expenditures	(8,400)	(275,000)	1,503,493	1,778,493
Other financing sources (uses):				
Appropriation of fund balance	600,000	1,101,220	-	(1,101,220)
Proceeds from sale of capital assets	-	-	6,100	6,100
Cancellation of prior year encumbrances	-	-	43,055	43,055
Transfers in	38,400	38,400	43,235	4,835
Transfers out	(630,000)	(864,620)	(864,620)	-
Net other financing sources (uses)	8,400	275,000	(772,230)	(1,047,230)
Net change in fund balance	\$ -	\$ -	731,263	\$ 731,263
Fund balance - July 1, 2016			8,516,103	
Fund balance - June 30, 2017			\$ 9,247,366	

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

Town of Old Lyme, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency</u> <u>Funds</u>
<u>Assets</u>	
Cash	<u>\$ 342,896</u>
<u>Liabilities</u>	
Liabilities:	
Accounts payable	323,584
Due to other funds	<u>19,312</u>
Total liabilities	<u><u>\$ 342,896</u></u>

The notes to financial statements are an intergral part of these statements.

Town of Old Lyme, Connecticut**Notes to Financial Statements
For The Year Ended June 30, 2017****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
For The Year Ended June 30, 2017****B. Measurement focus, basis of accounting and financial statement presentation (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. 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 Sound View Bike Path Improvement Fund accounts for the financial resources to be used for the improvement of the Town's bike path.

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
For The Year Ended June 30, 2017****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
For The Ended June 30, 2017****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 acquisition 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
For The Year Ended June 30, 2017****5. Long-term obligations (Continued)**

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

6. 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
For The Year Ended June 30, 2017**

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
For The Year Ended June 30, 2017****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 the 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
For The Year Ended June 30, 2017**A. Budgets and budgetary accounting (Continued)**

- 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 \$501,220 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	\$ 33,830,657	\$ 9,247,366
Encumbrances and continued appropriation outstanding at June 30, 2016 liquidated during the fiscal year	339,200	-
Encumbrances and continued appropriation outstanding at June 30, 2016 and 2017	-	152,354
Encumbrances and continued appropriation outstanding at year end charged to budgetary expenditures during the fiscal year	(544,581)	544,581
Balance, GAAP basis, Exhibit D	<u>\$ 33,625,276</u>	<u>\$ 9,944,301</u>

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017

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. At year end, \$11,799,672 of the Town's bank balance of \$12,549,675 (including certificates of deposit and money market accounts classified as investments) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,662,256
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>3,137,416</u>
Total amount subject to custodial credit risk	<u>\$11,799,672</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 – The Town's investments consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Investment Maturities (in Years)	
	Fair Value	Less than 1 Year
Bank money markets accounts	\$ 6,433,776	\$ 6,433,776
Certificates of deposit	<u>3,363,649</u>	<u>3,363,649</u>
Total	<u>\$ 9,797,425</u>	<u>\$ 9,797,425</u>

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

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

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.

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017**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	\$ 285,604	\$ 84,398	\$ 370,002
Long-term portion	\$ 386,604	\$ 57,170	\$ 443,774
Less allowance for uncollectible	(101,000)	(21,000)	(122,000)
Net long-term portion	\$ 285,604	\$ 36,170	\$ 321,774

C. Capital assets

Capital asset activity for the fiscal year was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 3,647,356	\$ -	\$ -	\$ 3,647,356
Works of art	291,000	-	-	291,000
Construction in progress	315,209	1,832,256	347,515	1,799,950
Total capital assets, not being depreciated	4,253,565	1,832,256	347,515	5,738,306
Capital assets, being depreciated:				
Buildings and improvements	6,561,486	268,873	36,189	6,794,170
Land improvements	1,545,320	-	-	1,545,320
Machinery, vehicles and equipment	6,093,587	329,895	220,273	6,203,209
Infrastructure	5,395,998	648,022	75,000	5,969,020
Total capital assets, being depreciated	19,596,391	1,246,790	331,462	20,511,719
Total capital assets	23,849,956	3,079,046	678,977	26,250,025
Less accumulated depreciation for:				
Buildings and improvements	861,259	80,905	9,608	932,556
Land improvements	385,624	24,685	-	410,309
Machinery, vehicles and equipment	2,464,487	286,789	74,326	2,676,950
Infrastructure	569,657	76,690	29,025	617,322
Total accumulated depreciation	4,281,027	469,069	112,959	4,637,137
Total capital assets, being depreciated, net	15,315,364	777,721	218,503	15,874,582
Capital assets, net	\$ 19,568,929	\$ 2,609,977	\$ 566,018	\$ 21,612,888

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017**C. Capital assets (continued)**

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

General government	\$ 165,439
Public works	1,066
Parks and recreation	8,065
Other public safety	122,288
Fire services	27,340
Police services	121,560
Senior citizens	<u>23,311</u>
 Total depreciation expense	 \$ 469,069

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.

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:			
Social workers fund	N/A	\$ 1,279	\$ -
Miscellaneous fund	N/A	-	108,230
Dog fund	N/A	-	5,246
Private duty fund	N/A	-	46,121
Harbor management fund	N/A	601	-
Public building improvement fund	N/A	-	1,605
Senior center board fund	N/A	9,729	-
Town building improvement fund	N/A	240	-
Sound View Improvement fund	N/A	338,984	-
Hains park boathouse	N/A	-	82,174
Road improvement fund	N/A	-	6,291
Performance bonds	N/A	<u>19,312</u>	<u>-</u>
 Total general fund		<u>370,145</u>	<u>249,667</u>
Sound View Improvement	General fund	-	338,984

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017

D. Interfund accounts (continued)

2. Interfund payables and receivables (continued)

Nonmajor funds:

Special revenue funds:			
Social workers fund	General fund	\$ -	\$ 1,279
Miscellaneous fund	General fund	108,230	-
Dog fund	General fund	5,246	-
Private duty fund	General fund	46,121	-
Harbor management fund	General fund	-	601
Public building improvement fund	General fund	1,605	-
Senior center board fund	General fund	-	9,729
Capital projects funds:			
Town building improvement fund	General fund	-	240
Hains park boathouse	General fund	82,174	-
Road improvement fund	General fund	6,291	-
Total nonmajor funds		<u>249,667</u>	<u>11,849</u>
Fiduciary funds:			
Performance bonds	General fund	-	19,312
Grand total		<u>\$ 619,812</u>	<u>\$ 619,812</u>

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017

3. 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	-	5,000
Land acquisition	N/A	-	75,000
Firefighters' equipment	N/A	-	130,000
Road improvement fund	N/A	-	400,000
Sound View improvement	N/A	-	234,620
Town Hall expansion	N/A	4,835	-
Bus barn fund	N/A	<u>38,400</u>	-
Total general fund		<u>43,235</u>	<u>864,620</u>
Sound View Improvement	General fund	<u>234,620</u>	-
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	General fund	-	4,835
Capital nonrecurring	Bus Barn fund	21,600	-
Capital nonrecurring	General fund	20,000	-
Town building improvement	General fund	5,000	-
Road improvement fund	General fund	400,000	-
Firefighters' equipment	General fund	130,000	-
Land acquisition	General fund	<u>75,000</u>	-
Total nonmajor funds		<u>651,600</u>	<u>64,835</u>
Grand total		<u>\$ 929,455</u>	<u>\$ 929,455</u>

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017**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, 2016	Additions	Deductions	Balance June 30, 2017	Current Portion
Bonds- refunding 320,000	\$2,765,000	6/30/16	9/15/2024	1.44%	\$2,765,000	\$ -	\$ -	\$ 310,000	\$ 2,455,000
Landfill postclosure costs					432,000	-	16,000	416,000	16,000
Compensated absences					140,621	57,940	42,614	155,947	98,238
Total long-term obligations					\$ 3,337,621	\$ 57,940	\$ 368,614	\$ 3,026,947	\$ 434,238

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. At year end, the outstanding bonded indebtedness of the District was \$31,245,000. The Town of Old Lyme's share will be approximately 79.4%, which totaled \$24,808,530. 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 following is a summary of debt maturities:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	<u>290,000</u>	<u>2,088</u>	<u>292,088</u>
Total	<u>\$2,455,000</u>	<u>\$ 138,636</u>	<u>\$2,593,636</u>

Town of Old Lyme, Connecticut**Notes to Financial Statements
For The Year Ended June 30, 2017****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 26 years at \$16,000 per year are \$416,000. 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.

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	\$ 75,685,988	\$ 2,455,000	\$ 73,230,988
Schools	151,371,977	24,808,530	126,563,447
Sewers	126,143,314	-	126,143,314
Urban renewal	109,324,205	-	109,324,205
Pension deficit	100,914,651	-	100,914,651

The overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$235,467,519.

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

Town of Old Lyme, Connecticut

Notes to Financial Statements
For The Year Ended June 30, 2017**F. Fund balance classifications**

Fund balances are composed of the following:

Fund Balance Component	General Fund	Sound View Bike Path Improvement	Nonmajor Funds	Total
<u>Nonspendable:</u>				
Prepaid items	\$ 641,325	\$ -	\$ -	\$ 641,325
Total Nonspendable	<u>641,325</u>	<u>-</u>	<u>-</u>	<u>641,325</u>
<u>Committed:</u>				
General government	-	32,367	-	32,367
Approved CNR projects	<u>-</u>	<u>1,399,815</u>	<u>1,399,815</u>	
Total Committed	<u>-</u>	<u>32,367</u>	<u>1,399,815</u>	<u>1,432,182</u>
<u>Assigned:</u>				
General government	10,000	-	18,577	28,577
Boards and commissions	27,700	-	-	27,700
Public works	9,000	-	-	9,000
Parks and recreation	-	-	37,060	37,060
Other public safety	5,000	-	36,483	41,483
Social services	-	-	-	-
Fire services	3,695	-	-	3,695
Police services	18,000	-	49,176	67,176
Health services	-	-	59,358	59,358
Senior citizens	-	-	105,338	105,338
Capital outlay	<u>623,540</u>	<u>-</u>	<u>-</u>	<u>623,540</u>
Total assigned	<u>696,935</u>	<u>-</u>	<u>305,992</u>	<u>1,002,927</u>
Unassigned	<u>8,606,041</u>	<u>-</u>	<u>88</u>	<u>8,606,129</u>
Total	<u>\$ 9,944,301</u>	<u>\$ 32,367</u>	<u>\$ 1,705,895</u>	<u>\$ 11,682,563</u>

Town of Old Lyme, Connecticut**Notes to Financial Statements
For The Year Ended June 30, 2017****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**1. 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
For The Year Ended June 30, 2017**

C. Pension plans (Continued)

The Town and Regional School District No. 18's payroll of eligible individuals covered by the plan was \$5,320,925. Employee contributions totaled \$74,743, or 1.4%, of covered payroll, and the Town and District recognized pension expense of \$4,425,674, or 8% of covered payroll.

The Town has no liability to the Plan at year end.

2. 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 \$70,219.

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
For The Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Property taxes:				
Property taxes	\$ 33,094,070	\$ 33,094,070	\$ 33,417,611	\$ 323,541
Interest and lien fees	180,000	180,000	252,590	72,590
Telephone access line grant	35,000	35,000	35,031	31
Total property taxes	<u>33,309,070</u>	<u>33,309,070</u>	<u>33,705,232</u>	<u>396,162</u>
Charges for services:				
Building department	160,000	160,000	151,991	(8,009)
Health department	5,000	5,000	5,632	632
Parks and recreation department	45,000	45,000	46,310	1,310
Parking lot	95,000	95,000	110,348	15,348
Town Woods Park reimbursement	34,800	34,800	28,856	(5,944)
Planning commission	1,000	1,000	1,400	400
Selectmen's office	10,000	10,000	9,485	(515)
Town clerk's office	225,000	225,000	243,344	18,344
Assessor	2,000	2,000	806	(1,194)
Zoning commission	3,900	3,900	8,826	4,926
Zoning board of appeals	8,000	8,000	2,536	(5,464)
Inland/wetlands	3,000	3,000	2,646	(354)
Engineering/legal reimbursements	21,600	21,600	3,542	(18,058)
Historic District commission	200	200	340	140
Fire marshal	400	400	380	(20)
Senior center reimbursement	21,400	21,400	35,954	14,554
Recycling	1,500	1,500	1,335	(165)
Landfill	85,000	85,000	108,536	23,536
Parking fines	16,000	16,000	21,369	5,369
Cell phone tower lease	27,600	27,600	28,161	561
Capital Assets Proceeds	1,000	1,000	6,292	5,292
Beach stickers and permits	28,000	28,000	33,590	5,590
Pension forfeiture funds	-	-	3,071	3,071
School crossing guard	8,217	8,217	6,044	(2,173)
OLVNA reimbursement	3,000	3,000	-	(3,000)
Legal fees reimbursement	-	-	3,800	3,800
Workers comp reimbursement	-	-	633	633
Ambulance fuel reimbursement	5,000	5,000	7,225	2,225
Pension reimbursement	1,000	1,000	-	(1,000)
Registrar reimbursement	2,000	2,000	-	(2,000)
Miscellaneous	10,010	10,010	7,437	(2,573)
Beach patrol reimbursement	5,000	5,000	4,360	(640)
Total charges for services	<u>829,627</u>	<u>829,627</u>	<u>884,249</u>	<u>54,622</u>
Intergovernmental:				
LOCIP	49,358	49,358	-	(49,358)
Historic preservation grant	3,000	3,000	-	(3,000)
Emergency management/FEMA	40,000	40,000	28,087	(11,913)
Education equalization grant	-	-	247,462	247,462
PILOT - state property	147	147	146	(1)
Miscellaneous state grants	5,000	5,000	3,990	(1,010)
PILOT - colleges	2,022	2,022	2,006	(16)
Mashantucket Pequot grant	14,525	14,525	14,487	(38)
Tax relief elderly	30,000	30,000	31,288	1,288
Veterans' tax exempt	3,000	3,000	3,153	153
Town aid road	229,901	229,901	229,764	(137)
MRSA Sales Tax Sharing	1,000	1,000	79,946	78,946
Grants for Municipal Projects	1,888	1,888	1,888	-
DOT-SV Bike Path & Improvement (study phase)	-	-	40,425	40,425
State police DWI	33,600	33,600	12,865	(20,735)
Total intergovernmental	<u>413,441</u>	<u>413,441</u>	<u>695,507</u>	<u>282,066</u>
Investment income:				
Interest on investments	18,000	18,000	49,162	31,162
Total revenues	<u>34,570,138</u>	<u>34,570,138</u>	<u>35,334,150</u>	<u>764,012</u>
Other financing sources:				
Appropriation of fund balance	600,000	1,101,220	-	(1,101,220)
Proceeds from sale of capital assets	-	-	6,100	6,100
Cancellation of prior year encumbrances	-	-	43,055	43,055
Transfers in:				
Bus barn fund	38,400	38,400	43,235	4,835
Total other financing sources	<u>638,400</u>	<u>1,139,620</u>	<u>92,390</u>	<u>(1,047,230)</u>
Total revenues and other financing sources	<u>\$ 35,208,538</u>	<u>\$ 35,709,758</u>	<u>\$ 35,426,540</u>	<u>\$ (283,218)</u>

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
General government:				
Selectmen's office	\$ 261,908	\$ 275,028	\$ 275,025	\$ 3
Town clerk	117,162	117,162	115,870	1,292
Tax collector	104,321	104,321	98,914	5,407
Treasurer	164,076	164,076	161,308	2,768
Registrar	36,881	36,881	32,662	4,219
Information technology	91,600	91,600	76,492	15,108
Probate court	8,100	8,100	8,053	47
Assessor	130,009	130,009	120,739	9,270
Building department	106,099	106,099	103,934	2,165
Health department	202,787	202,787	184,761	18,026
Town hall	177,000	194,000	171,489	22,511
Insurance	727,650	711,620	623,087	88,533
Special deductions	407,000	407,000	349,670	57,330
Total general government	2,534,593	2,548,683	2,322,004	226,679
Boards and commissions:				
Harbor management commission	1,000	1,000	800	200
Economic development commission	20	20	-	20
Ethics commission	25	25	-	25
Water management authority	117,300	117,300	40,631	76,669
Board of finance	10,721	10,721	8,686	2,035
Flood and erosion control board	540	540	504	36
Historic district commission	4,700	4,700	4,242	458
Tree commission	16,050	16,050	11,052	4,998
Parks and recreation commission	1,522	1,522	1,185	337
Board of assessment appeals	538	938	932	6
Rogers Lake authority	16,125	16,125	14,206	1,919
Land use	290,507	290,507	209,270	81,237
Sound View	13,484	13,484	10,359	3,125
Conservation commission	4,623	4,623	357	4,266
Open space	11,300	11,300	9,576	1,724
Total boards and commissions	488,455	488,855	311,800	177,055
Public works:				
Public works expenditures	896,207	896,207	820,596	75,611
Parks and recreation:				
Parks and recreation	236,910	236,910	224,436	12,474
Town Woods Park	166,110	166,110	136,417	29,693
Fireworks/Memorial day	23,500	23,500	21,024	2,476
Total parks and recreation	426,520	426,520	381,877	44,643
Other public safety:				
Animal control	64,161	64,161	50,143	14,018
Emergency management	15,650	15,650	13,277	2,373
Valley shore communications	151,000	151,000	150,768	232
Ambulance	139,482	147,082	133,190	13,892
Total other public safety	370,293	377,893	347,378	30,515

(Continued)

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Social services:				
Social service	\$ 18,747	\$ 18,747	\$ 16,570	\$ 2,177
Lyme's youth services	84,000	84,000	84,000	-
Total social services	102,747	102,747	100,570	2,177
Fire services:				
Old Lyme fire department	214,747	214,747	172,952	41,795
Fire protection	29,000	29,805	29,805	-
Fire marshal	65,696	65,696	63,582	2,114
Firemen's incentive plan	78,000	78,000	78,000	-
Total fire services	387,443	388,248	344,339	43,909
Police services:				
Resident state police	187,500	189,205	189,203	2
Municipal police	688,290	688,290	416,743	271,547
Total police services	875,790	877,495	605,946	271,549
Health services:				
Social services agencies	4,792	4,792	4,792	-
VNA	60,350	60,350	60,000	350
Total health services	65,142	65,142	64,792	350
Senior citizens' activities:				
Estuary transit district	14,400	14,400	14,329	71
Estuary services	36,547	36,547	36,547	-
Senior center	89,272	89,272	80,279	8,993
Total senior citizens' activities	140,219	140,219	131,155	9,064
Other associations	347,000	347,000	347,000	-
Sanitation:				
Municipal refuse collection	355,329	355,329	355,329	-
Single stream recycling	179,484	179,484	179,484	-
CT Resources Recovery Authority	237,000	237,000	189,069	47,931
Recycling	36,700	36,700	29,547	7,153
Household hazardous waste	27,000	27,000	16,699	10,301
Transfer station	210,742	210,742	201,043	9,699
Total sanitation	1,046,255	1,046,255	971,171	75,084

(Continued)

Town of Old Lyme, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Chartered associations:				
Point O' Woods	\$ 13,400	\$ 13,400	\$ 13,400	\$ -
Old Lyme shores	8,600	8,600	8,600	-
Old colony beach	9,000	9,000	9,000	-
Miami beach	20,050	20,050	20,050	-
White sands beach	14,050	14,050	14,050	-
Roger's lake west shore	3,000	3,000	3,000	-
Hawks' nest beach	1,600	1,600	1,600	-
Edge Lea	2,000	2,000	2,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total chartered associations	71,700	71,700	71,700	-
Regional School District No. 18	25,565,976	25,565,976	25,565,976	-
Debt service:				
Redemption of debt	275,000	275,000	310,000	(35,000)
Interest on debt	76,188	76,188	26,070	50,118
	<hr/>	<hr/>	<hr/>	<hr/>
Total debt service	351,188	351,188	336,070	15,118
Capital outlay:				
General government	310,950	420,950	401,160	19,790
Public works	50,000	215,000	214,776	224
Public safety	198,060	198,060	191,802	6,258
Public works roads and projects	350,000	317,000	300,545	16,455
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital outlay	909,010	1,151,010	1,108,283	42,727
Total expenditures	34,578,538	34,845,138	33,830,657	1,014,481
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	5,000	5,000	5,000	-
Road improvement fund	400,000	400,000	400,000	-
Sound View improvement fund	-	234,620	234,620	-
Land acquisition	75,000	75,000	75,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing uses	630,000	864,620	864,620	-
Total expenditures and other financing uses	\$ 35,208,538	\$ 35,709,758	\$ 34,695,277	\$ 1,014,481

(Concluded)

Town of Old Lyme, Connecticut

Report of Property Tax Collector
For The Year Ended June 30, 2017

Grand List Year	Uncollected Taxes July 1, 2016	Current Year Levy	Lawful Corrections			Transfers to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2017
			Additions	Deductions	Taxes			Interest	Lien Fees	Total		
Suspense	\$ -	\$ -	\$ 1,739	\$ 17	\$ -	\$ 1,722	\$ 1,722	\$ 2,414	\$ -	\$ 4,136	\$ -	
2001	147	-	-	-	-	147	-	-	-	-	-	147
2002	131	-	-	-	-	131	-	-	-	-	-	131
2003	-	-	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-	-	-
2006	1,503	-	-	-	-	1,503	1,503	747	291	2,541	-	
2007	3,079	-	-	-	-	3,079	3,079	4,574	24	7,677	-	
2008	3,809	-	-	-	-	3,809	3,161	4,125	24	7,310	648	
2009	6,273	-	-	-	-	6,273	5,113	5,227	24	10,364	1,160	
2010	11,610	-	-	-	-	11,610	6,821	3,399	48	10,268	4,789	
2011	46,372	-	-	-	-	46,372	38,945	17,277	168	56,390	7,427	
2012	97,785	-	123	403	16,406	81,099	52,805	26,704	264	79,773	28,294	
2013	212,810	-	470	2,986	-	210,294	128,770	42,873	752	172,395	81,524	
2014	406,868	-	-	37,127	-	369,741	173,663	50,733	2,553	226,949	196,078	
Total Prior Years	790,387	-	2,332	40,533	16,406	735,780	415,582	158,073	4,148	577,803	320,198	
2015	-	33,473,563	30,690	185,998	-	33,318,255	32,966,245	91,869	2,300	33,060,414	352,010	
Total	<u>\$ 790,387</u>	<u>\$ 33,473,563</u>	<u>\$ 33,022</u>	<u>\$ 226,531</u>	<u>\$ 16,406</u>	<u>\$ 34,054,035</u>	<u>\$ 33,381,827</u>	<u>\$ 249,942</u>	<u>\$ 6,448</u>	<u>\$ 33,638,217</u>	<u>\$ 672,208</u>	

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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, 2017

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	
Assets											
Cash Receivables:	\$ 64,637	\$ -	\$ 35,706	\$ -	\$ 24,304	\$ 13,357	\$ 16,972	\$ 115,067	\$ 88	\$ 270,131	
Other	-	5,238		3,055	-	-	-	-	-	8,293	
Due from other funds	-	108,230	5,246	46,121	-	-	1,605	-	-	161,202	
Total assets	<u>\$ 64,637</u>	<u>\$ 113,468</u>	<u>\$ 40,952</u>	<u>\$ 49,176</u>	<u>\$ 24,304</u>	<u>\$ 13,357</u>	<u>\$ 18,577</u>	<u>\$ 115,067</u>	<u>\$ 88</u>	<u>\$ 439,626</u>	
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ 4,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,469	
Due to other funds	1,279	-	-	-	601	-	-	9,729	-	11,609	
Unearned revenue	4,000	113,468	-	-	-	-	-	-	-	117,468	
Total liabilities	<u>5,279</u>	<u>113,468</u>	<u>4,469</u>	<u>-</u>	<u>601</u>	<u>-</u>	<u>-</u>	<u>9,729</u>	<u>-</u>	<u>133,546</u>	
Fund balances:											
Assigned	59,358	-	36,483	49,176	23,703	13,357	18,577	105,338	-	305,992	
Unassigned	-	-	-	-	-	-	-	-	88	88	
Total fund balances	<u>59,358</u>	<u>-</u>	<u>36,483</u>	<u>49,176</u>	<u>23,703</u>	<u>13,357</u>	<u>18,577</u>	<u>105,338</u>	<u>88</u>	<u>306,080</u>	
Total liabilities and fund balances	<u>\$ 64,637</u>	<u>\$ 113,468</u>	<u>\$ 40,952</u>	<u>\$ 49,176</u>	<u>\$ 24,304</u>	<u>\$ 13,357</u>	<u>\$ 18,577</u>	<u>\$ 115,067</u>	<u>\$ 88</u>	<u>\$ 439,626</u>	

(Continued)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Capital Nonrecurring	Town Building Improvement	Land Acquisition	Firefighters' Equipment	Hains Park Boathouse	Road Improvement	Total	Total Nonmajor Governmental Funds
Assets								
Cash	\$ 106,948	\$ 123,441	\$ 577,147	\$ 34,743	\$ -	\$ -	\$ 842,279	\$ 1,112,410
Investments	-	-	-	500,575	-	-	500,575	500,575
Receivables:								
Other	-	-	-	-	-	-	-	8,293
Due from other funds	-	-	-	-	82,174	6,291	88,465	249,667
Total assets	\$ 106,948	\$ 123,441	\$ 577,147	\$ 535,318	\$ 82,174	\$ 6,291	\$ 1,431,319	\$ 1,870,945
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 31,264	\$ -	\$ 31,264	\$ 35,733
Due to other funds	-	240	-	-	-	-	240	11,849
Unearned revenue	-	-	-	-	-	-	-	117,468
Total liabilities	-	240	-	-	31,264	-	31,504	165,050
Fund balances:								
Committed	106,948	123,201	577,147	535,318	50,910	6,291	1,399,815	1,399,815
Assigned	-	-	-	-	-	-	-	305,992
Unassigned	-	-	-	-	-	-	-	88
Total fund balances	106,948	123,201	577,147	535,318	50,910	6,291	1,399,815	1,705,895
Total liabilities and fund balances	\$ 106,948	\$ 123,441	\$ 577,147	\$ 535,318	\$ 82,174	\$ 6,291	\$ 1,431,319	\$ 1,870,945

(Concluded)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2017

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	\$ -	\$ 8,116	\$ 4,788	\$ 17,680	\$ 4,025	\$ -	\$ 4,329	\$ 19,943	\$ 60,000	\$ 118,881		
Intergovernmental		27,642									27,642	
Investment income	336	-	191	-	122	72	95	634	115		1,565	
Contributions	6,606	-	-	-	-	-	-	-	-		6,606	
Total revenues	6,942	35,758	4,979	17,680	4,147	72	4,424	20,577	60,115		154,694	
Expenditures:												
Current:												
General government	-	6,990	-	-	-	-	105	-	-		7,095	
Parks and recreation	-	5,126	-	-	-	-	-	-	-		5,126	
Other public safety	-	-	-	-	1,095	-	-	-	-		1,095	
Police services	-	-	-	15,107	-	-	-	-	-		15,107	
Health services	4,724	23,642	-	-	-	-	-	-	-		28,366	
Senior citizens	-	-	-	-	-	-	-	37,053	-		37,053	
Total expenditures	4,724	35,758	-	15,107	1,095	-	105	37,053	-		93,842	
Excess (deficiency) of revenues over expenditures	2,218	-	4,979	2,573	3,052	72	4,319	(16,476)	60,115		60,852	
Other financing sources (uses):												
Transfers out	-	-	-	-	-	-	-	-	(60,000)		(60,000)	
Net change in fund balances	2,218	-	4,979	2,573	3,052	72	4,319	(16,476)	115		852	
Fund balances - July 1, 2016	57,140	-	31,504	46,603	20,651	13,285	14,258	121,814	(27)		305,228	
Fund balances - June 30, 2017	\$ 59,358	\$ -	\$ 36,483	\$ 49,176	\$ 23,703	\$ 13,357	\$ 18,577	\$ 105,338	\$ 88		\$ 306,080	

(Continued)

Town of Old Lyme, Connecticut

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2017

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,881
Intergovernmental						478,000		478,000	505,642
Investment income		144	647	4,570	3,837			9,198	10,763
Contributions		-	-	-	-			-	6,606
Total revenues	-	144	647	4,570	3,837	478,000	-	487,198	641,892
Expenditures:									
Current:									
General government	-	1,575	240	-	-	-	-	1,815	8,910
Public works	-	-	-	-	-	-	398,202	398,202	398,202
Parks and recreation	-	-	-	-	-	736,088	-	736,088	741,214
Other public safety	-	-	-	-	-	-	-	-	1,095
Police services	-	-	-	-	-	-	-	-	15,107
Health services	-	-	-	-	-	-	-	-	28,366
Senior citizens	-	-	-	-	-	-	-	-	37,053
Total expenditures	-	1,575	240	-	-	736,088	398,202	1,136,105	1,229,947
Excess (deficiency) of revenues over expenditures	-	(1,431)	407	4,570	3,837	(258,088)	(398,202)	(648,907)	(588,055)
Other financing sources (uses):									
Transfers in	-	41,600	5,000	75,000	130,000	-	400,000	651,600	651,600
Transfers out	(4,835)	-	-	-	-	-	-	(4,835)	(64,835)
Net other financing sources (uses)	(4,835)	41,600	5,000	75,000	130,000	-	400,000	646,765	586,765
Net change in fund balances	(4,835)	40,169	5,407	79,570	133,837	(258,088)	1,798	(2,142)	(1,290)
Fund balances - July 1, 2016	4,835	66,779	117,794	497,577	401,481	308,998	4,493	1,401,957	1,707,185
Fund balances - June 30, 2017	\$ -	\$ 106,948	\$ 123,201	\$ 577,147	\$ 535,318	\$ 50,910	\$ 6,291	\$ 1,399,815	\$ 1,705,895

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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
For The Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Asset</u>				
Cash:				
Performance bonds	<u>\$ 372,733</u>	<u>\$ 1,893</u>	<u>\$ 31,730</u>	<u>\$ 342,896</u>
<u>Liabilities</u>				
Accounts payable:				
Performance bonds	<u>\$ 353,421</u>	<u>\$ 1,893</u>	<u>\$ 31,730</u>	<u>\$ 323,584</u>
Due to other funds:				
Performance bonds	<u>19,312</u>	<u>-</u>	<u>-</u>	<u>19,312</u>
Total liabilities	<u>\$ 372,733</u>	<u>\$ 1,893</u>	<u>\$ 31,730</u>	<u>\$ 342,896</u>

Trend Information

Town of Old Lyme, Connecticut

Net Position by Component
Last Ten Years
(Unaudited)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 19,157,888	\$ 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
Restricted for:										
Capital projects	-	-	-	-	-	-	-	353,191	531,684	531,684
Unrestricted	11,709,604	10,799,781	9,167,351	8,024,680	7,070,073	6,699,214	5,806,440	4,545,445	4,645,126	5,713,427
Total net position	<u>\$ 30,867,492</u>	<u>\$ 27,603,710</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>

Table 2

Town of Old Lyme, Connecticut

Changes in Net Position
Last Ten Years
(Unaudited)

Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
General government	\$ 2,747,576	\$ 2,639,326	\$ 2,870,319	\$ 2,828,319	\$ 2,390,703	\$ 2,708,122	\$ 2,426,942	\$ 2,443,785	\$ 2,776,360	\$ 1,859,107
Public works	1,242,170	1,295,885	1,324,016	1,306,797	1,345,789	1,275,043	1,238,387	1,476,780	1,220,859	1,045,150
Parks and recreation	464,329	1,930,981	491,930	494,022	382,947	427,992	386,002	417,593	396,256	453,884
Other public safety	397,308	351,505	403,834	330,743	658,678	488,654	351,199	307,029	313,692	273,302
Social services	110,570	105,457	93,486	90,972	83,896	84,466	83,955	79,808	81,350	74,689
Fire services	640,059	430,894	464,308	510,386	453,464	761,987	698,564	642,124	589,697	624,176
Police services	961,451	998,934	1,153,081	1,152,650	1,104,710	886,192	781,859	819,740	897,176	735,102
Health services	153,063	150,364	150,831	149,989	156,327	156,946	150,025	147,568	138,107	311,626
Senior citizens	198,121	189,321	218,980	189,045	108,339	71,189	67,520	66,359	73,206	76,235
Sanitation	957,297	1,089,305	1,014,480	1,087,838	1,399,954	818,219	1,076,571	1,057,786	1,122,251	2,559,965
Education	25,565,976	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
Interest expense	40,516	78,485	84,037	92,090	138,124	110,426	107,192	99,624	206,575	110,596
Total expenses	33,478,436	34,274,537	32,918,415	32,547,234	32,516,089	31,074,744	30,000,569	30,025,670	30,141,809	29,717,387
Program revenues:										
Charges for services:										
General government	483,380	526,326	488,866	543,511	515,669	467,346	414,045	437,569	448,809	538,175
Public works	4,329	4,508	4,239	4,728	7,888	6,357	8,190	109,465	104,630	100,141
Parks and recreation	219,104	236,599	198,812	207,337	215,018	252,141	208,841	151,921	126,664	74,881
Other public safety	12,013	14,597	19,337	18,376	17,987	9,369	15,589	9,682	11,137	8,678
Social services	-	-	-	-	-	-	-	-	-	-
Fire services	380	650	360	400	380	420	850	1,260	400	45,278
Police services	43,409	51,975	89,059	49,359	70,117	145,922	73,473	43,640	84,412	7,398
Health services	5,632	15,397	10,688	14,904	15,425	13,230	10,432	4,435	4,755	13,173
Senior citizens	55,897	48,707	48,905	54,155	13,668	7,159	7,287	7,994	26,043	219,057
Sanitation	112,942	148,907	193,509	165,702	223,304	351,026	238,107	167,618	215,435	814,569
Education	66,044	68,384	65,647	64,571	65,054	64,461	63,755	-	-	-
Operating grants and contributions	960,280	2,766,825	749,675	963,519	1,029,382	1,154,206	860,837	747,876	1,069,701	631,174
Capital grants and contributions	957,764	394,259	279,550	793,642	795,262	248,927	185,441	397,590	51,860	-
Total program revenues	2,921,174	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
Net expenses:										
Governmental activities	(30,557,262)	(29,997,403)	(30,769,768)	(29,667,030)	(29,546,935)	(28,354,180)	(27,913,722)	(27,946,620)	(27,997,963)	(27,264,863)
General revenues:										
Property taxes	33,587,370	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
Grants and contributions not restricted to specific programs	56,958	199,033	225,785	167,440	180,486	142,982	178,588	138,473	170,751	196,051
Investment income	59,925	32,392	14,805	12,223	14,604	15,956	27,619	50,447	166,310	393,473
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
Total general revenues	33,704,253	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
Change in net position	\$ 3,146,991	\$ 2,716,534	\$ 1,455,603	\$ 1,803,074	\$ 1,732,053	\$ 2,022,995	\$ 2,070,343	\$ 1,758,263	\$ 1,069,203	\$ 837,165

Table 3

Town of Old Lyme, Connecticut

Schedule of Debt Limitation
For The Year Ended June 30, 2017Total tax collections (including interest and lien fees): \$ 33,638,217

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 75,685,988	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	151,371,977	-	-	-
3 3/4 times base	-	-	126,143,314	-	-
3 1/4 times base	-	-	-	109,324,205	-
3 times base	-	-	-	-	100,914,651
Total debt limitation	<u>75,685,988</u>	<u>151,371,977</u>	<u>126,143,314</u>	<u>109,324,205</u>	<u>100,914,651</u>
Indebtedness:					
Bonds payable	2,455,000	-	-	-	-
Town's share of Regional School District No. 18 debt	-	24,808,530	-	-	-
Total indebtedness	<u>2,455,000</u>	<u>24,808,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of indebtedness	<u>\$ 73,230,988</u>	<u>\$ 126,563,447</u>	<u>\$ 126,143,314</u>	<u>\$ 109,324,205</u>	<u>\$ 100,914,651</u>

NOTES: (1) The total of the above net indebtedness amounts to: \$ 27,263,530In no event shall total indebtedness exceed seven times the base for debt limitation computation: \$ 235,467,519

**State
Single
Audit**

Town of Old Lyme, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2017

State Grantor/Pass Through Grantor/Program Title	State Grant Program Core CT Number	Passed through to Subrecipients	Total Expenditures
Office of Policy and Management:			
Reimbursement of Private Tax Exempt Property	11000-OPM20600-17006	\$ -	\$ 2,006
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	146
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	-	31,288
Property Tax Relief for Veterans	11000-OPM20600-17024	-	3,153
Municipal Grants-In-Aid	12052-OPM20600-43587	-	1,888
Department of Education:			
Youth Services Bureau	11000-SDE64000-17052	18,642	18,642
Youth Services Bureau Enhancement	11000-SDE64000-16201	5,000	5,000
Department of Emergency Services & Public Protection:			
Nuclear Emergency Safety Fund	12060-DPS32982-90428	-	18,831
Department of Energy and Environmental Protection:			
Small Town Economic Assistance Program	12052-DEP43153-40531	-	478,000
Department of Transportation:			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455-34005	-	229,764
Connecticut State Library:			
Historic Documents Preservation Grant	12060-CSL66094-35150		4,000
Total State Financial Assistance before Exempt Programs			792,718
Exempt Programs:			
Department of Education:			
Education Cost Sharing	11000-SDE64000-17041-82010	-	247,462
Office of Policy and Management:			
Municipal Revenue Sharing	12002-OPM20600-17102	-	79,946
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	14,487
Total State Financial Assistance	<u>\$ 23,642</u>		<u>\$ 1,134,613</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 For The Year Ended June 30, 2017

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
For The Year Ended June 30, 2017**

I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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 no

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

State Grantor and Program	State Core CT Number	Expenditures
Department of Energy and Environmental Protection: Small Town Economic Assistance Program	12052-DEP43153-40531	\$478,000
Dollar threshold used to distinguish between type A and type B programs:		\$100,000

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

**Board of Finance
Town of Old Lyme, Connecticut**

We have audited, 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 13, 2017.

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.

**Board of Finance
Town of Old Lyme, Connecticut**

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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
November 13, 2017

**Independent Auditors' 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, 2017. The Town's major state programs are identified in the summary of auditors' 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.

Auditors' 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, 2017.

**Board of Finance
Town of Old Lyme, Connecticut**

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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
November 13, 2017

