

# **Town of Lisbon, Connecticut**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2012

## Town of Lisbon, Connecticut

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June 30, 2012

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**Town of Lisbon, Connecticut**

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## Independent Auditors' Report

### **The Board of Finance Town of Lisbon, Connecticut**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lisbon, Connecticut ( "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013 on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as combining fund financial statements and supplementary schedules in the table of contents is fairly stated in all material respects in relation to the financial statements taken as a whole.

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
January 14, 2013

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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Our discussion and analysis of Town of Lisbon, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

### FINANCIAL HIGHLIGHTS

- The Town's net assets, both governmental and business-type activities, increased by \$1,025,689.
- The General Fund Balance increased to \$2,229,543, which was a \$295,506 increase for the year. The fund balance is 16.76% of revenues for the year. This is an increase over last year's 13.96%.
- The mill rate was not raised for the 2011-12 fiscal year. It is the same as the preceding year at 16.9 mills. The Board of Finance has begun discussions regarding what needs to be done over the next 5 years with the mill rate. There will be some changes in the actual rate used for 2013, however, because the property will be revalued before then.
- The Board of Education was able to return \$18,274 to the General Fund and the Board of Selectmen returned \$181,775.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the Town as a Whole

Our analysis of the Town as a whole begins with Exhibit 1. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town. In the Statement of Net Assets and the Statement of Activities, the Town is divided into two kinds of activities:

- **Governmental activities**—Most of the Town's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- **Business-type activities**—The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water Pollution Control Authority's operations are reported here.

### Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins in the section titled "The Town's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- **Governmental funds**—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds**—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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### The Town as Trustee

The Town is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Town. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets in Exhibits 8. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### THE TOWN AS A WHOLE

The Town's combined net assets increased by \$1,025,689 from a year ago. Last year net assets increased by \$544,699. Our analysis below focuses on the net assets (Table 1).

Table 1  
Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,479,190	\$ 4,028,973	\$ 140,692	\$ 134,303	\$ 4,619,882	\$ 4,163,276
Capital assets	11,763,357	11,185,246	3,206,965	3,311,625	14,970,322	14,496,871
Total assets	16,242,547	15,214,219	3,347,657	3,445,928	19,590,204	18,660,147
Long-term debt outstanding	5,498,572	5,636,937	-	-	5,498,572	5,636,937
Other liabilities	293,981	256,636	50,748	45,360	344,729	301,996
Total liabilities	5,792,553	5,893,573	50,748	45,360	5,843,301	5,938,933
Net assets:						
Invested in capital assets, net of related debt	7,629,982	6,812,382	3,206,965	3,311,625	10,836,947	10,124,007
Restricted						
Expendable	420,837	348,598	-	-	420,837	348,598
Nonexpendable	4,411	4,411	-	-	4,411	4,411
Unrestricted	2,394,764	2,155,255	89,944	88,943	2,484,708	2,244,198
Total net assets	\$ 10,449,994	\$ 9,320,646	\$ 3,296,909	\$ 3,400,568	\$ 13,746,903	\$ 12,721,214

On the full accrual basis, the Town increased its net assets by \$1,025,689. This increased net assets from \$12,721,214 to \$13,746,903. The Net Assets invested in Capital Assets increased by \$817,600 because a total of over a million dollars of capital assets were added. Depreciation reduced the increase to roughly half of that. But, a substantial amount of debt was also paid off. The capital asset and long term debt transactions are discussed more later.

The changes in net assets of the Town are summarized in Table 2 below. In total, the Town increased fund balance by \$1,025,689 this year compared to an increase of \$544,699 last year. The significant changes are discussed below:

- Charges for services were down by \$214,912. In 2011 the Town charged and collected a large building permit for a new store that was being built in town. This was a one-time revenue, as expected, and was not received in 2012. This accounted for approximately half of the variance. The other half of the variance was due to a reduction in the enrollment at the Community Connections High School. This locally run high school is scheduled to be closed as of June 30, 2013.



## Town of Lisbon, Connecticut

### Management's Discussion and Analysis June 30, 2012

- Operating grants increased by \$311,341. This is primarily an increase in the Education Cost Sharing Grant received from the State of Connecticut. This is expected to stay at the elevated level for the short term, however, the State is studying this grant to see if the allocations should be changed.
- Capital grants increased by \$301,953. Because capital projects are nonrecurring, the capital grants are not similar from year to year. This year, the Town received \$110,869 for improvements to Lisbon Meadow Park. The Town also received \$236,742 in funding under the State's Local Capital Improvement Program Grant (LOCIP). Much of this was used for the purchase of new vehicles. The Town did not receive the funding for the school roof that it received in 2011.
- Grants and contributions increased by \$404,901 due to Gavin Way being accepted as a Town road with an estimated value of \$325,000 and a new grant source from the State of Connecticut. This grant is expected to continue.

**Table 2**  
**Change in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 756,398	\$ 971,310	\$ 130,313	\$ 139,115	\$ 886,711	\$ 1,110,425
Operating grants and contributions	5,578,516	5,267,176	-	-	5,578,516	5,267,176
Capital grants and contributions	367,195	65,242	-	-	367,195	65,242
General revenues:						
Property taxes	7,998,281	7,956,936	-	-	7,998,281	7,956,936
Grants and contributions	577,252	172,351	-	-	577,252	172,351
Interest and investment earnings	6,224	8,976	-	-	6,224	8,976
Loss on disposal of equipment	(3,655)	-	-	-	(3,655)	-
<b>Total revenues</b>	<b>15,280,211</b>	<b>14,441,991</b>	<b>130,313</b>	<b>139,115</b>	<b>15,410,524</b>	<b>14,581,106</b>
<b>Program expenses</b>						
General government	1,367,699	1,367,441	-	-	1,367,699	1,367,441
Fire protection	154,236	148,991	-	-	154,236	148,991
Police protection	160,352	131,598	-	-	160,352	131,598
Highways and streets	440,609	470,605	-	-	440,609	470,605
Recreation	97,931	80,202	-	-	97,931	80,202
Seniors and senior center	99,054	98,996	-	-	99,054	98,996
Education	11,722,093	11,388,660	-	-	11,722,093	11,388,660
Interest on long-term debt	108,889	145,775	-	-	108,889	145,775
Water Pollution Control Authority	-	-	233,972	204,139	233,972	204,139
<b>Total expenses</b>	<b>14,150,863</b>	<b>13,832,268</b>	<b>233,972</b>	<b>204,139</b>	<b>14,384,835</b>	<b>14,036,407</b>
Increase (decrease) in net assets	\$ 1,129,348	\$ 609,723	\$ (103,659)	\$ (65,024)	\$ 1,025,689	\$ 544,699

### Governmental Activities

Table 3 presents the cost of each of the Town's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Town of Lisbon, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

**Table 3  
Governmental Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services		
	2012	2011			2012	2011	Incr. Decr.
<b>Governmental Activities</b>							
General government	\$ 1,367,699	\$ 1,367,441	0.02%	\$ 1,199,386	\$ 1,093,432	9.69%	
Recreation	97,931	80,202	22.11%	(41,045)	50,899	-180.64%	
Seniors and senior center	99,054	98,996	0.06%	98,216	97,850	0.37%	
Police protection	160,352	131,598	21.85%	144,771	111,661	29.65%	
Highways and streets	440,609	470,605	-6.37%	96,110	380,124	-74.72%	
Education	11,722,093	11,388,660	2.93%	5,688,191	5,499,808	3.43%	
Fire protection	154,236	148,991	3.52%	154,236	148,991	3.52%	
Interest on long-term debt	108,889	145,775	-25.30%	108,889	145,775	-25.30%	
<b>Totals</b>	<b>\$ 14,150,863</b>	<b>\$ 13,832,268</b>	<b>2.30%</b>	<b>\$ 7,448,754</b>	<b>\$ 7,528,540</b>	<b>-1.06%</b>	

The significant changes, not previously discussed, are as follows:

- Police protection is provided by the resident state trooper. The increase in expenses is due to the 10% increase in charges by the State of Connecticut, plus an increase in overtime worked by the trooper. This increased both the total cost and the net cost of services.
- Highways and streets showed a large decrease in the net cost. This is due to a capital grant for the purchase of new vehicles. On these government-wide statements, the cost of capital assets is not included as an expense in the year of purchase, but rather, it is depreciated over time. But, the total capital grant is offset against the costs in the year it was earned.
- Recreation also had a large capital grant. As discussed above, this is offsetting the expenses even though the capital costs are depreciated over time. This is making recreation have a negative net cost or a net gain.

**Business-type Activities**

The only business-type activity in Lisbon is water and sewer running north along route 12 from Lisbon Landing and the Crossing at Lisbon to the town line then to the Jewett City Water Treatment Plant. Table 4 presents the cost of the Town's business-type programs as well as the business-type program's net cost (total cost less revenues generated by the activities).

**Table 4  
Business-Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services		
	2012	2011			2012	2011	Incr. Decr.
<b>Business-Type Activities</b>							
Water Pollution Control Authority	233,972	204,139	14.61%	103,659	65,024	59.42%	
<b>Totals</b>	<b>\$ 233,972</b>	<b>\$ 204,139</b>	<b>14.61%</b>	<b>\$ 103,659</b>	<b>\$ 65,024</b>	<b>59.42%</b>	

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2012

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The Total costs increased due to a manhole repair project that was started this year. The revenue decreased because there were not additional fees collected for tie ins or engineering fees as there had been last year. This caused the net cost of services to increase significantly more than the total cost.

### THE TOWN'S FUNDS

In total, Fund Balance increased by \$285,505. This is lower than the increases on the government wide basis primarily because of the treatment of capital asset and debt. A reconciliation of the figures is shown in Exhibit 4a.

### General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Town budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

Table 5  
General Fund - Budget Summary

	Final		
	Budget	Actual	Variance
<b>Revenues</b>			
Property Taxes	\$ 6,992,504	\$ 6,997,811	\$ 5,307
Intergovernmental	4,200,554	4,292,927	92,373
Local Revenue	1,260,800	1,311,026	50,226
<b>Total Revenues</b>	<b>12,453,858</b>	<b>12,601,764</b>	<b>147,906</b>
<b>Expenditures</b>			
Selectmen's expenditures	2,487,098	2,305,323	181,775
Education	9,361,122	9,342,848	18,274
Capital outlay	42,000	39,783	2,217
Debt Service	466,299	466,299	-
Transfers out	170,000	170,000	-
<b>Total Expenditures</b>	<b>12,526,519</b>	<b>12,324,253</b>	<b>202,266</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ (72,661)</b>	<b>\$ 277,511</b>	<b>\$ 350,172</b>

The Town originally budgeted for a small increase in Fund Balance in the General Fund of \$14,787. During the year, a total of \$87,448 in additional appropriations was approved. Had the actual results been exactly what was budgeted, the Town would have decreased their Fund Balance by \$72,661.

## **Town of Lisbon, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

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Ultimately, revenues were \$147,966 higher than budgeted and expenditures were \$202,266 lower than budgeted. The actual increase in fund balance, on a budget basis, was \$277,511. This was \$350,172 higher than the final budget. The major causes of the variance were as follows:

- Intergovernmental revenues exceeded the budget because additional monies from the Excess Cost Grant were received. This grant funds certain special education costs. It is estimated at budget time, but when the actual special education costs increase, this will increase too.
- Local revenues were \$50,226 higher than expected. This is the result of a number of local revenue sources being higher than anticipated.
- The Selectmen did not spend \$181,775 of their budget with insurances, highways and the senior center making up the biggest categories under budget.
- In addition, the Board of Education did not spend \$18,274 of their budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of this year, the Town had \$11,774,856 invested government activity capital assets and \$3,206,965 invested in business-type capital assets. This amount represents a net increase (including additions and deductions) of \$473,451 from last year. The increase in capital assets resulted from improvement the Lisbon Meadow Park, new public works vehicles, and new and improvements to the roads. Further information about the Town's capital assets is presented in Note 5 to the financial statements.

#### **Debt**

At year end, the Town had \$3,895,000 in bonds outstanding. This is a decrease of \$375,000 from last year. During the year the Town refinanced its debt to lower the interest rate. This saved the Town \$235,933. Since the old bonds could not be paid off immediately (because the bond holders want to earn the higher rate of interest) the Town established a trust fund with a fixed interest rate. Money was deposited into this fund to pay the bonds off as they come due. This, however, allowed the old debt to be removed from the Town's books.

The Town's general obligation bond rating continues to carry an Aa3 rating from Moody's Investors Service, Inc.. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

## **Town of Lisbon, Connecticut**

Management's Discussion and Analysis  
June 30, 2012

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town has been very conservative in this extended downturn in the economy by keeping its mill rate as low and flat as possible, not increasing budgeted expenditures significantly, keeping a close watch on expenditures to bring them in consistently below budget and has conserved its Fund Balance. In addition, certain outside factors have been very favorable to Lisbon including most taxpayers continuing to pay their taxes on time and new development at the Crossing at Lisbon Landing.

With intergovernmental and local revenues set to remain flat or decrease in the next year, the Town increased taxes. The total taxes generated increased by approximately 3.2 percent. It is expected that half of this increase will come from increasing the grand list (new taxpayers) and half of this increase will come from the current taxpayers paying more.

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at the Town of Lisbon, Connecticut, 1 Newent Road, Lisbon, CT 06351.

## Town of Lisbon, Connecticut

Statement of Net Assets  
June 30, 2012

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 3,822,755	\$ 104,238	\$ 3,926,993
Receivables			
Taxes, net	182,025	-	182,025
Accounts, net	46,061	-	46,061
Usage, net	-	36,454	36,454
Intergovernmental	56,947	-	56,947
Interest on taxes receivable	47,206	-	47,206
Special assessments	176,172	-	176,172
Due from other funds	261	-	261
Inventories	3,726	-	3,726
Deferred charges	144,037	-	144,037
Capital assets			
Nondepreciable	1,292,647	-	1,292,647
Depreciable, net of accumulated depreciation	<u>10,470,710</u>	<u>3,206,965</u>	<u>13,677,675</u>
Total Assets	<u>16,242,547</u>	<u>3,347,657</u>	<u>19,590,204</u>
<b>LIABILITIES</b>			
Accounts payable	169,799	50,487	220,286
Accrued payroll and related	55,770	-	55,770
Due to other funds	-	261	261
Unearned revenues	44,532	-	44,532
Accrued interest payable	23,880	-	23,880
Non-current liabilities			
Due within one year	595,327	-	595,327
Due in more than one year	<u>4,903,245</u>	<u>-</u>	<u>4,903,245</u>
Total Liabilities	<u>5,792,553</u>	<u>50,748</u>	<u>5,843,301</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,629,982	3,206,965	10,836,947
Restricted:			
Expendable	420,837	-	420,837
Nonexpendable	4,411	-	4,411
Unrestricted	<u>2,394,764</u>	<u>89,944</u>	<u>2,484,708</u>
Total Net Assets	<u>\$ 10,449,994</u>	<u>\$ 3,296,909</u>	<u>\$ 13,746,903</u>

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

## Town of Lisbon, Connecticut

Statement of Activities  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
<b>Governmental activities</b>							
General government	\$ 1,367,699	\$ 129,409	\$ 38,904	\$ -	\$ (1,199,386)		\$ (1,199,386)
Fire protection	154,236	-	-	-	(154,236)		(154,236)
Police protection	160,352	-	15,581	-	(144,771)		(144,771)
Highways and streets	440,609	-	88,173	256,326	(96,110)		(96,110)
Recreation	97,931	28,107	-	110,869	41,045		41,045
Seniors and senior center	99,054	-	838	-	(98,216)		(98,216)
Education	11,722,093	598,882	5,435,020	-	(5,688,191)		(5,688,191)
Interest on long-term debt	108,889	-	-	-	(108,889)		(108,889)
Total Governmental Activities	14,150,863	756,398	5,578,516	367,195	(7,448,754)		(7,448,754)
<b>Business-type activities</b>							
Water Pollution Control Authority	233,972	130,313	-	-		(103,659)	(103,659)
Total Government	<u>\$ 14,384,835</u>	<u>\$ 886,711</u>	<u>\$ 5,578,516</u>	<u>\$ 367,195</u>		(103,659)	(7,552,413)
<b>General Revenues</b>							
Property taxes, payments in lieu of taxes, interest and liens					7,998,281	-	7,998,281
Grants and contributions not restricted to specific programs					577,252	-	577,252
Unrestricted interest and investment earnings					6,224	-	6,224
Gain (loss) on disposal of equipment					(3,655)	-	(3,655)
Total General Revenues					<u>8,578,102</u>	-	<u>8,578,102</u>
Change in Net Assets					1,129,348	(103,659)	1,025,689
Net Assets - Beginning of Year					<u>9,320,646</u>	<u>3,400,568</u>	<u>12,721,214</u>
Net Assets - End of Year					<u>\$ 10,449,994</u>	<u>\$ 3,296,909</u>	<u>\$ 13,746,903</u>

## Town of Lisbon, Connecticut

Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General	Capital Nonrecurring Fund	Special Educational Grants	Other Governmenta l Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and equivalents	\$ 2,354,732	\$ 918,040	\$ 73,584	\$ 476,399	\$ 3,822,755
Taxes receivable, net of allowance for uncollectible amounts	182,025	-	-	-	182,025
Other receivables					
Special assessments	176,172	-	-	-	176,172
Accounts	-	38,759	118	7,184	46,061
Intergovernmental	46,371	-	-	10,576	56,947
Interest on taxes receivable	47,206	-	-	-	47,206
Due from other governmental funds	23,715	15,498	-	3,933	43,146
Due from business type funds	261	-	-	-	261
Inventories	-	-	-	3,726	3,726
Total Assets	<u>\$ 2,830,482</u>	<u>\$ 972,297</u>	<u>\$ 73,702</u>	<u>\$ 501,818</u>	<u>\$ 4,378,299</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 158,430	\$ 4,705	\$ 6,265	\$ 399	\$ 169,799
Accrued payroll and related	55,494	-	-	276	55,770
Due to other funds	18,772	-	24,374	-	43,146
Unearned revenues	-	-	41,392	3,140	44,532
Deferred revenues	368,243	38,759	-	-	407,002
Total Liabilities	<u>600,939</u>	<u>43,464</u>	<u>72,031</u>	<u>3,815</u>	<u>720,249</u>
Fund Balances					
Nonspendable	-	-	-	8,137	8,137
Restricted	30,015	-	-	390,822	420,837
Committed	-	191,984	-	-	191,984
Assigned	166,347	736,849	1,671	99,044	1,003,911
Unassigned	<u>2,033,181</u>	-	-	-	<u>2,033,181</u>
Total Fund Balances	<u>2,229,543</u>	<u>928,833</u>	<u>1,671</u>	<u>498,003</u>	<u>3,658,050</u>
Total Liabilities and Fund Balances	<u>\$ 2,830,482</u>	<u>\$ 972,297</u>	<u>\$ 73,702</u>	<u>\$ 501,818</u>	<u>\$ 4,378,299</u>

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



**Town of Lisbon, Connecticut**
 Reconciliation of Governmental Funds Balance Sheet  
 to the Government Wide Statement of Net Assets - Governmental Activities  
 June 30, 2012
 

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Fund Balances - Total Governmental Funds	\$ 3,658,050
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,763,357
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	144,037
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	407,002
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,522,452)</u>
Net Assets of Governmental Activities	<u>\$ 10,449,994</u>

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

## Town of Lisbon, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2012

	General	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes, interest and lien fees	\$ 6,997,811	\$ -	\$ -	\$ -	\$ 6,997,811
Intergovernmental revenues	5,005,377	326,111	537,795	164,656	6,033,939
Local revenues	1,300,807	10,305	-	606,480	1,917,592
Total Revenues	<u>13,303,995</u>	<u>336,416</u>	<u>537,795</u>	<u>771,136</u>	<u>14,949,342</u>
<b>EXPENDITURES</b>					
Current					
General government	1,360,118	-	-	13,684	1,373,802
Fire protection	133,202	-	-	-	133,202
Police protection	160,352	-	-	-	160,352
Highway and streets	472,603	-	-	32,261	504,864
Seniors and senior center	96,576	-	-	-	96,576
Recreation	77,458	-	-	315,896	393,354
Education	10,024,384	-	537,795	363,980	10,926,159
Debt Service					
Principal	1,005,000	-	-	-	1,005,000
Interest	138,918	-	-	-	138,918
Bond issuance costs	87,920	-	-	-	87,920
Capital Outlay	39,783	573,109	-	-	612,892
Total Expenditures	<u>13,596,314</u>	<u>573,109</u>	<u>537,795</u>	<u>725,821</u>	<u>15,433,039</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(292,319)</u>	<u>(236,693)</u>	<u>-</u>	<u>45,315</u>	<u>(483,697)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	170,000	-	11,376	181,376
Transfers out	(181,376)	-	-	-	(181,376)
Refunding bonds issued	3,560,000	-	-	-	3,560,000
Premium on financing	195,711	-	-	-	195,711
Payment to refunded bond escrow agent	(2,986,510)	-	-	-	(2,986,510)
Total Other Financing Sources (Uses)	<u>587,825</u>	<u>170,000</u>	<u>-</u>	<u>11,376</u>	<u>769,201</u>
Net Change in Fund Balance	295,506	(66,693)	-	56,691	285,504
Fund Balances - Beginning of Yea	<u>1,934,037</u>	<u>995,526</u>	<u>1,671</u>	<u>441,312</u>	<u>3,372,546</u>
Fund Balances - End of Year	<u>\$ 2,229,543</u>	<u>\$ 928,833</u>	<u>\$ 1,671</u>	<u>\$ 498,003</u>	<u>\$ 3,658,050</u>

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

**Town of Lisbon, Connecticut**
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2012
 

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## Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 285,504
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay expenditures	738,034
Donation of capital assets	325,000
Depreciation expense	(480,583)
Undepreciated basis of assets disposed of or sold	<u>(4,340)</u>
	<u>578,111</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	(28,366)
Grant revenues in the Capital Nonrecurring Fund	38,759
Tuition revenues in the Community Connections High School Fund	<u>(3,182)</u>
	<u>7,211</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Proceeds from long-term debt - general obligation bonds	(3,560,000)
Principal payments on long-term debt	4,052,953
Bond issue costs capitalized	(87,920)
Amortization of loss on refunding bonds, issuance premium and issuance costs	<u>(11,317)</u>
	<u>393,716</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	21,082
Compensated absences	(6,134)
Special termination benefits	38,726
Change in pension and other post employment benefits asset/liability	<u>(188,868)</u>
	<u>(135,194)</u>
Change in Net Assets of Governmental Activities	<u>\$1,129,348</u>

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

**Town of Lisbon, Connecticut**

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2012

	<u>Water Pollution Control Authority</u>
<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 104,238
Receivables	
Usage, net	<u>36,454</u>
Total Current Assets	<u>140,692</u>
Noncurrent Assets	
Capital assets	
Buildings and improvements	4,186,405
Less - Accumulated depreciation	<u>(979,440)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>3,206,965</u>
Total Assets	<u>3,347,657</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	50,487
Due to other funds	<u>261</u>
Total Current Liabilities	<u>50,748</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,206,965
Unrestricted	<u>89,944</u>
Total Net Assets	<u>\$ 3,296,909</u>

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

**Town of Lisbon, Connecticut**

Statement of Revenues, Expenses and Changes in Net Assets  
 Proprietary Funds  
 Year Ended June 30, 2012

	<u>Water Pollution Control Authority</u>
Operating Revenues	
Charges for services	<u>\$ 130,313</u>
Operating Expenses	
Contractual services	122,552
Other supplies and expenses	6,760
Depreciation	<u>104,660</u>
Total Operating Expenses	<u>233,972</u>
Income (Loss) from Operations	(103,659)
Net Assets - Beginning of Year	<u>3,400,568</u>
Net Assets - End of Year	<u>\$ 3,296,909</u>

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

**Town of Lisbon, Connecticut**

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2012

	<u>Water Pollution Control Authority</u>
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 138,914
Cash payments to suppliers	<u>(123,924)</u>
Net Cash Provided by Operating Activities	14,990
Cash and Equivalents - Beginning of Year	<u>89,248</u>
Cash and Equivalents - End of Year	<u>\$ 104,238</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities	
Income (loss) from operations	\$ (103,659)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities	
Depreciation	104,660
Changes in operating assets and liabilities	
Accounts receivable	8,601
Accounts payable	<u>5,388</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 14,990</u>

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

**Town of Lisbon, Connecticut**

Statement of Net Assets  
Fiduciary Funds  
June 30, 2012

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 208,854</u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 208,854</u>

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

## Town of Lisbon, Connecticut

Notes to Financial Statements  
June 30, 2012

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### 1. Summary of Significant Accounting Policies

The Town of Lisbon, Connecticut (The "Town") is a municipal corporation governed by a selectmen–town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is lead by an elected three-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the town financial matters.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

#### A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

#### B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which 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 or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.



**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Financial Statements**

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Enterprise funds and the Internal Service funds are charges to customers for services. Operating expenses for the Enterprise funds and the Internal Service funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB guidance. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private sector guidance

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

#### Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Nonrecurring Fund - The Capital Nonrecurring Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Special Educational Grants Fund – The Special Educational Grants Fund is used to account for State, Federal and Local grants for the Board of Education.

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

Dog Fund – The revenues from the animal control officer is used to pay for the related expenditures.

Town Aid Road Fund – This is used to account for the expenditures against the state grant of the same name. This grant can only be used for expenditures for the Town's roads.

Farmers Market Fund – These fees are used to support the Farmers Market.

Cafeteria Fund – The school cafeteria's expenditures, the related state and federal grants and revenue from sales are handled in this fund.

After School Child Care Fund – The fees from the school's child care programs are used to offset the related expenditures.

Preschool Fund – The fees from the school's preschool fund are used to offset the related expenditures.

Community Connections High School Fund – Lisbon has started a separate high school that has tuition income from parents and other governments. The income and expenditures are included in this fund.

### 1. Summary of Significant Accounting Policies (Continued)

## Town of Lisbon, Connecticut

### Notes to Financial Statements (Continued)

June 30, 2012

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Fundraising Fund – Parent donations have been used to support certain expenditures that have been cut from the budget in recent years.

Permanent Funds – The Town also has two permanent funds. Individuals have donated funds to support the care and maintenance of their cemetery plots. The principal balance must remain intact, but the interest can be spent for this purpose.

- b. Proprietary Funds - Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The Town's major proprietary fund is:

Water Pollution Control Authority's Fund accounts for connection and usage fees and expenditures for the sewer system which is available to certain residents and businesses.

- c. Fiduciary Funds (Not included in government-wide financial statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others.

#### **D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus and utilizes 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

### E. Assets, Liabilities and Net Assets or Fund Balances

#### Deposits, Investments and Risk Disclosure

**Cash and Equivalents** - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

**Investments** - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

**1. Summary of Significant Accounting Policies (Continued)**

The Short-Term Investment Fund ("STIF"), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

**Interest Rate Risk** - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

**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's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

**Concentration of Credit Risk** – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

**Taxes Receivable** - Property taxes are assessed on property values as of October 1<sup>st</sup>. The tax levy is divided into two billings; the following July 1<sup>st</sup> and January 1<sup>st</sup>. This is used to finance the fiscal year from the first billing (July 1<sup>st</sup>) to June 30<sup>th</sup> of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)

June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

**Other Receivables** - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**Due From/To Other Funds** - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

**Prepaid Expenses/Expenditures** - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

**Inventories** - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

**Deferred Charges** - Deferred charges in the government-wide financial statements represent the unamortized portion of the cost of issuance of bonds and refunding costs. These costs are being amortized over the term of the respective bond issue.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

Intangible assets lack physical substance, is nonfinancial in nature and it's useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$5,000
Buildings and systems		
Land improvements	20-40	\$5,000
Buildings and improvements	20-40	\$5,000
Machinery and equipment		
Furniture and equipment	5-20	\$5,000
Vehicles	8	\$5,000
Infrastructure	20-50	\$25,000
Intangible assets	Varies, if any	\$25,000

**Unearned/Deferred Revenues** - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met. Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**1. Summary of Significant Accounting Policies (Continued)**

**Long-Term Liabilities** - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, and debt payments, are reported as debt service expenditures.

**Compensated Absences** - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt and restricted. The balance is classified as unrestricted.

**Fund Balance** - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.



## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 1. Summary of Significant Accounting Policies (Continued)

- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority, a motion at a Town Meeting. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing boards.
- Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Currently, this is done by the Board of Finance. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

#### F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

#### G. Use of Estimates

The preparation of 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### 1. Summary of Significant Accounting Policies (Continued)

## H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 14, 2013.

## 2. Stewardship, Compliance and Accountability

### A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash Basis Payroll** - Payroll for the Town employees is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.
- **Transfers** - Certain transfers to the Dog Fund are shown as expenditures in the General Fund.

### B. Budget Calendar

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

## 2. Stewardship, Compliance and Accountability (Continued)

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

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The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

**C. Budget Control**

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$87,448 of additional appropriations were made.

**3. Detailed Notes on All Funds**

**A. Cash, Cash Equivalents and Investments**

Cash and investments of the Town consist of the following at June 30, 2012:

Statement of Net Assets - Governmental Funds	
Cash and equivalents	\$ 3,822,755
Statement of Net Assets - Proprietary Fund	
Cash and equivalents	104,238
Fiduciary Funds	
Cash and equivalents	208,854
Total Cash and Investments	<u>\$ 4,135,847</u>

**Cash and Cash Equivalents** - As of June 30, 2012 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 1,626,400
Plus external investment pools	2,509,447
	<u>\$ 4,135,847</u>

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

The bank balance of the deposits with financial institutions was \$1,837,167 and was exposed to custodial credit risk as follows:

Covered by federal depository insurance	\$ 738,802
Uninsured and uncollateralized	<u>1,098,365</u>
	<u>\$ 1,837,167</u>

**B. Receivables, Deferred Revenue and Unearned Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end

	General Fund	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds
Property taxes	\$ 155,938	\$ -	\$ -	\$ -
Special assessments	176,172	-	-	-
Intergovernmental revenue	-	38,759	-	-
Other	36,133	-	-	-
	<u>\$ 368,243</u>	<u>\$ 38,759</u>	<u>\$ -</u>	<u>\$ -</u>

Property taxes and special assessments are not expected to be fully collected in the next year.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the liability *unearned revenue* at June 30, 2012

	General Fund	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds
Advances on grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,392</u>	<u>\$ 3,140</u>

**C. Interfund Transactions**

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2012 these were summarized as follows

Receivable fund	Payable Fund	Amount
General fund	Special educational grants	\$ 23,715
Capital nonrecurring fund	General fund	15,498
Preschool fund	Special educational grants	660
Community connections high school fund	General fund	3,182
Town aid road fund	General fund	91
		<u>\$ 43,146</u>

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2012 were as follows

	Transfers into:				Total
	General Fund	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds	
Transfers out of: General fund	\$ -	\$ 170,000	\$ -	\$ 11,376	\$ 181,376

**D. Capital Assets**

Changes in the Town's capital assets used in the governmental activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,292,647	\$ -	\$ -	\$ 1,292,647
Capital assets being depreciated				
Buildings and systems	13,543,349	419,811	-	13,963,160
Machinery and equipment	2,880,837	205,223	(43,400)	3,042,660
Infrastructure	1,057,556	438,000	-	1,495,556
Less accumulated depreciation	(7,589,143)	(480,583)	39,060	(8,030,666)
	<u>9,892,599</u>	<u>582,451</u>	<u>(4,340)</u>	<u>10,470,710</u>
	<u>\$ 11,185,246</u>	<u>\$ 582,451</u>	<u>\$ (4,340)</u>	<u>\$ 11,763,357</u>

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

Buildings and systems	\$ 327,258
Machinery and equipment	118,304
Infrastructure	35,021
	<u>\$ 480,583</u>

Changes in the Town's capital assets used in the business-type activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings and systems	\$ 4,186,405	\$ -	\$ -	\$ 4,186,405
Less Accumulated Depreciation	(874,780)	(104,660)	-	(979,440)
	<u>\$ 3,311,625</u>	<u>\$ (104,660)</u>	<u>\$ -</u>	<u>\$ 3,206,965</u>

Depreciation and amortization of \$104,660 was charged to functions/programs of the business-type activities.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

**E. Long-Term Liabilities**

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 4,270,000	\$ 3,560,000	\$ (3,935,000)	\$ 3,895,000	\$ 470,000
Bond premium	-	195,711	-	195,711	532
Capital leases	102,864	-	(61,443)	41,421	24,390
Lease premium	1,935	-	(692)	1,243	732
Compensated absences	312,314	6,134	-	318,448	22,529
Special termination benefits	79,388	-	(38,726)	40,662	40,662
Pension obligations	414,193	-	(4,855)	409,338	5,238
OPEB obligations	387,666	236,585	(27,502)	596,749	31,244
	<u>\$ 5,568,360</u>	<u>\$ 3,998,430</u>	<u>\$ (4,068,218)</u>	<u>\$ 5,498,572</u>	<u>\$ 595,327</u>

Each governmental fund liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations are expensed to the respective fund, primarily the General Fund.

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2012 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
Water/Schools refunding	2012	\$ 3,560,000	7/15/2022	2-3%	\$ 3,560,000
Water/Schools partially refunded	2002	\$ 5,990,000	8/1/2012	3-4.25%	335,000
					<u>\$ 3,895,000</u>

Interest expensed on general obligation bonds for the year ended June 30, 2012 totaled \$105,874. Payments to maturity on the general obligation bonds are as follows

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principal	Interest		Principal	Interest
2013	\$ 470,000	\$ 75,257	2019	330,000	30,900
2014	480,000	88,400	2020	220,000	22,650
2015	475,000	78,850	2021	220,000	16,050
2016	475,000	66,975	2022	215,000	9,525
2017	465,000	52,875	2023	210,000	3,150
2018	335,000	40,875		<u>\$ 3,895,000</u>	<u>\$ 485,507</u>

**3. Detailed Notes on All Funds (Continued)**

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

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**Capital Leases Payable**

The Town has entered two lease agreements to finance the acquisition of computers for the school. The cost of the computers is included in the capital assets with a cost of \$201,911 and accumulated depreciation of \$94,478. This lease qualifies as a capital lease for accounting purposes. The Town's capital lease obligation at June 30, 2012 is as follows:

Total payments on capital lease(s) for year ending

2013	\$	26,084
2014		17,389
		43,473
Less the amount representing interest		(2,052)
Present value of future minimum lease payments	\$	<u>41,421</u>

Interest expensed on capital leases for the year ended June 30, 2012 totaled \$3,015.

**Special Termination Benefits**

Special termination benefits represent the present value of future benefits to be paid to former employees. These are paid through the General Fund on a pay-as-you-go basis. One employee was offered cash payments based on a negotiated separation agreement during fiscal year 2008-2009 to be paid in equal installments of \$42,695 over five years. The balance due, at a discounted present value, was \$40,662 at year end.

Prior to the unionization of the Town employees, the Town made an agreement with two retiring employees to continue to pay health insurance premiums for them for the rest of their lives. The Town funds these on a pay-as-you-go basis. During this year the cost of this coverage was \$3,394. The year-end liability is estimated based on the present value of estimated future insurance costs over the average life expectancy for the individuals.

**Pension Obligations**

On April 1, 2008 the Town joined the Connecticut Municipal Employees' Retirement System (MERS) for certain general government employees. The Town is responsible for the unfunded accrued liability as of that date. The Town has elected to pay this over 30 years in annual payments of \$37,376. This payment includes the unfunded accrued liability plus interest at a rate of 7.35% per year. The future payments on this obligation will be paid out of the General Fund as follows:

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

Year End	Interest	Principal	Year End	Interest	Principal
2013	\$ 32,139	\$ 5,238	2026	\$ 23,385	\$ 13,991
2014	31,727	5,649	2027	22,286	15,090
2015	31,284	6,092	2028	21,102	16,275
2016	30,806	6,571	2029	19,824	17,552
2017	30,290	7,086	2030	18,446	18,931
2018	29,733	7,643	2031	16,959	20,417
2019	29,133	8,243	2032	15,356	22,020
2020	28,486	8,890	2033	13,627	23,749
2021	27,788	9,588	2034	11,763	25,613
2022	27,035	10,341	2035	9,752	27,624
2023	26,223	11,153	2036	7,583	29,793
2024	25,234	12,028	2037	5,244	32,132
2025	24,403	12,973	2038	2,721	34,656
				<u>\$ 562,329</u>	<u>\$ 409,338</u>

**Advance Refunding**

During the 2012 fiscal year, the Town issued \$3,560,000 in general obligation bonds with interest rates ranging from 2.0% to 3.0% depending on maturity. The proceeds were used to advance refund \$2,890,000 of outstanding general obligation bonds issue of 2003 bearing interest at rates ranging from 3.00% to 4.25%, depending on maturity and \$670,000 of bond anticipation notes, bearing interest at 1.15% maturing on April 10, 2012. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, most of the GOB Issue of 2003 are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Assets. The Town advance refunded the 2003 bonds to reduce its total debt service payments over 20 years by \$254,876 and to obtain a net present value economic gain of \$235,933. As of June 30, 2012, \$3,560,000 of the bonds are considered defeased.

**Legal Debt Limit**

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Lisbon, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 6,948,742
Debt limitation base	<u>29,480</u>
	<u>\$ 6,978,222</u>



**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 15,701,000	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	31,401,999	-	-	-
3 3/4 times base	-	-	26,168,333	-	-
3 1/4 times base	-	-	-	22,679,222	-
3 times base	-	-	-	-	20,934,666
Total debt limitation	<u>15,701,000</u>	<u>31,401,999</u>	<u>26,168,333</u>	<u>22,679,222</u>	<u>20,934,666</u>
Indebtedness					
Bonds payable	-	1,300,680	2,594,320	-	-
Debt limitation in excess of debt outstanding and authorized	<u>\$ 15,701,000</u>	<u>\$ 30,101,319</u>	<u>\$ 23,574,013</u>	<u>\$ 22,679,222</u>	<u>\$ 20,934,666</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 48,847,554

**F. Net Assets**

The components of net assets are detailed below:

*Invested in Capital Assets, Net of Related Debt* - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

*Restricted Net Assets - Nonexpendable* - the component of net assets that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$4,411 of trust principal.

*Restricted Net Assets – Expendable* - the component of net assets that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of:

Education	\$ 1,927
Public works	385,332
Culture and recreation	590
Other purposes	<u>32,988</u>
	<u>\$ 420,837</u>

*Unrestricted* - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

**3. Detailed Notes on All Funds (Continued)**

**G. Fund Balances**

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Capital Nonrecurring Fund	Special Educational Grants	Other Governmental Funds
Nonspendable				
Not in spendable form				
Inventories	\$ -	\$ -	\$ -	\$ 3,726
Required to be maintained				
Trust principal	-	-	-	4,411
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,137</u>
Restricted				
Education	\$ -	\$ -	\$ -	\$ 1,927
Public works	-	-	-	385,332
Culture and recreation	-	-	-	590
Other purposes	30,015	-	-	2,973
	<u>\$ 30,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,822</u>
Committed				
Capital Projects	<u>\$ -</u>	<u>\$ 191,984</u>	<u>\$ -</u>	<u>\$ -</u>
Committed				
Capital Projects	<u>\$ -</u>	<u>\$ 191,984</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned				
General government	\$ -	\$ -	\$ -	\$ 15,336
Education	166,347	-	1,671	83,353
Capital projects	-	736,849	-	-
	<u>\$ 166,347</u>	<u>\$ 736,849</u>	<u>\$ 1,671</u>	<u>\$ 99,044</u>

**H. Employee Retirement Systems**

**Teachers' Retirement System**

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers Retirement Board.

**3. Detailed Notes on All Funds (Continued)**

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2012, the State contributed \$702,724 into the pension plan on behalf of the Town of Lisbon, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2012 was \$4,696,166 of which \$3,421,186 was covered under this pension plan.

**Connecticut Municipal Employees' Retirement Fund B**

**Plan description**

The Municipal Employees' Retirement System (MERS) is a cost sharing multiple employer employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund.

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible. As of July 1, 2010, there were 186 participating local governmental units (counting departments of municipalities that joined or reported separately as separate units).

Results shown in this report are based on the July 1, 2010 actuarial valuation of MERS. Actuarial valuations are performed biennially rather than annually and the next full valuation will be as of July 1, 2012. At July 1, 2010, the MERS membership consisted of:

	Retirees and Beneficiaries	Terminated Vested	Active Vested	Active Non-Vested	Inactive Non-Vested
Police and Fire:					
• Without Social Security	317	19	510	256	30
• With Social Security	242	23	275	125	32
General					
• Without Social Security	2,175	236	2,021	758	188
• With Social Security	2,971	442	3,236	1,388	591
Withdrawn – Municipalities*	7	0	NA	NA	N/A
<b>Total Members</b>	<b>5,705</b>	<b>720</b>	<b>6,042</b>	<b>2,537</b>	<b>841</b>

\* The head count shown is included in the groups above

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

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**3. Detailed Notes on All Funds (Continued)**

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases between 3.0% and 5.0% are paid to those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are paid to those who have not yet reached age 65. For members that retire after December 31, 2001, increases between 2.5% and 6.0% are paid, regardless of age. Benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1-½% of the average of earnings for the three highest paid years of service not in excess of the year's breakpoint, plus 2% of the average of earnings for the three highest paid years of service in excess of the year's breakpoint. The year's breakpoint for 2010 is \$54,800.

Covered employees are required by State Statute to contribute 2-¼% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan. Employees not covered by Social Security are required to contribute 5% of all earnings.

**Summary of significant accounting policies and plan asset matters**

*Basis of Accounting* - MERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed.

*Method Used to Value Investments* - Retirement trust fund can invest in the following investment pools maintained by the State of Connecticut.

<b>Name of Fund</b>	<b>Investments consist principally of:</b>
Mutual Fixed Income	Bonds and notes
Mutual Equity	Common stocks
Real Estate	Interest in commingled equity real estate funds
Mutual Commercial Mortgage	Interest in commercial mortgages
Mutual International Stock	International equity securities
Mutual Venture Capital	Interests in venture capital partnerships which have common stock interests in emerging businesses
Liquidity Fund	Money market instruments
Private Equity	Limited partnerships, limited liability companies and securities

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

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**3. Detailed Notes on All Funds (Continued)**

Investments in the pooled funds are valued at cost. Market values of the investment pools are determined by the Master Custodian based on the performance of the underlying securities. Investment income is recognized as earned. Gains and losses on sales and redemptions of investments are recognized on the transaction date. There are no investments in any organization that represent 5% or more of the net assets available for benefits.

**Funding status and progress**

The actuarial accrued liability is a measure that uses the benefit provisions and is intended to (1) help users assess the plan's funding status on a going-concern basis, and (2) assess progress being made in accumulating sufficient assets to pay benefits when due. Allocations of the actuarial present value of projected benefits between past and future service were based on service using the entry age actuarial cost method. Entry age was established by subtracting credited service from current age on the valuation date. Assumptions, including projected pay increases, were the same as those used to determine the annual required contribution between entry age and assumed exit age.

The actuarial value of assets is based on a market-related method that recognizes (1) 20% of any difference between actual and expected investment income (gain/loss) in the valuation year and (2) 20% of any previous years' unrecognized investment gains/losses. Such smoothed actuarial asset value shall not be less than 80% or greater than 120% of the market value of assets.

The actuarial accrued liability was determined as part of an actuarial valuation as of July 1, 2010.

Significant actuarial assumptions used include:

- Rate of return on the investments of present and future assets of 8.25% per year compounded annually.
- Projected salary increases of 3.75% per year compounded annually, attributable to inflation.
- Additional projected salary increases ranging from .75% to 7.5%, per year, attributable to seniority/merit.
- Annual cost of living increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.50% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001 increases of 2.6% are assumed regardless of age.

Actuarial accrued liability, value of assets and unfunded actuarial accrued liability as of July 1, 2010:

Total actuarial accrued liability	\$1,880,664,552
Actuarial value of assets	<u>1,662,583,369</u>
Unfunded actuarial accrued liability	<u>\$ 218,081,183</u>

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (Continued)

During the year there were no changes in benefit provisions or actuarial assumptions.

#### Contributions required and made

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide benefits based on current service. This percentage varies by police and fire versus general city employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit's date of participation and other factors.

Contributions made:

- The contributions are actuarially determined using the entry age normal method.
- The actuarial assumptions used are the same as those used to compute the actuarial accrued liability discussed above.
- Contributions totaling \$67,179,955 (\$51,125,808 employer and \$16,054,147 employee) were made for the plan year ending June 30, 2011 in accordance with the contribution requirements approved by the Retirement Commission based on the measurement of the System as of July 1, 2009. These contributions consisted of: (a) \$52,751,455 normal cost and (b) \$14,428,500 amortization of the unfunded actuarial accrued liability. The employer and employee contributions represent 11.7% and 3.7% of the expected covered payroll, respectively, for the fiscal year ending June 30, 2011.

#### Ten year historical trend information

Ten year historical trend information designed to provide information about MERS' progress made in accumulating sufficient assets to pay benefits when due may be obtained through the Municipal Employees' Retirement System - Fund B, Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106.

### I. Other Post Employment Benefits

**Plan Description** - The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (Continued)

#### Certified Employees

Eligibility for Medical Coverage	Age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 10 years of service; with Teachers' Retirement Board retirement and Board approval.
Cost Sharing for Medical Coverage	Future retirees must pay 100% of the cost for medical coverage.
Plan of Coverage	Various Anthem medical plans, dependent on whether under or over age 65 and whether eligible for Medicare.
Cost Sharing for Dental Coverage	Same as medical.
Current Retirees	Current retirees must pay 100% of the cost for medical coverage. One retiree has a direct subsidy.

#### Non-Certified Employees

Eligibility for Medical Coverage	Same as above, per individual contract. Currently Custodians, Secretaries, Class Room Assistants, and Administrative Assistants have no access to OPEB related benefits.
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#### Actuarial Assumptions and Methods

Latest Actuarial Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.50%
Medical Inflation	Initial rate of 10% in 2012 grading down 1% per year to an ultimate inflation rate of 5% for 2017 and later.
Amortization Method	30 years, level dollar, open
Healthy Mortality	PF-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for nonannuitants and annuitants, projected to the valuation date with Scale AA
Disability	No disability assumed.
Future Retiree Coverage	Teachers and Administrators – 100% are assumed to elect coverage at retirement with 20% continuing after Medicare
Future Dependent Coverage	Male 50%; Female 30% with female spouses assumed to be 3 years younger than males.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2012

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**3. Detailed Notes on All Funds (Continued)**

**Schedule of Funding Progress**

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded. The Town has not established a formal funding plan or a trust at this time. Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.):

Valuation Date	Value of Assets	Accrued Liability	Excess (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Excess (Unfunded) Liability as a % of Covered Payroll
July 1, 2012	\$ -	\$ 1,906,637	\$ (1,906,637)	0.0%	\$ 3,405,206	-56.0%
July 1, 2009	-	2,407,897	(2,407,897)	0.0%	3,372,618	-71.4%

**Schedule of Employer Contributions**

The schedule of employer contributions is as follows. (Data in the table below is only presented since the year of transition):

Year Ended June 30,	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2012	\$ 230,121	\$ 27,502	12%
2011	226,440	26,407	12%
2010	222,917	32,667	15%

**Annual Required Contribution (ARC)**

The Annual Required Contribution (“ARC”) for the OPEB program consists of two pieces:

**Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2007. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution.

**Normal Cost** is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year), plus

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.



## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 3. Detailed Notes on All Funds (Continued)

#### Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation (asset):

Annual required contribution	\$	230,121
Interest on net OPEB obligation		17,445
Adjustment to annual required contribution		<u>(10,981)</u>
Annual OPEB Cost		236,585
Contributions made		<u>(27,502)</u>
Increase in net OPEB obligation		209,083
Net OPEB Obligation - Beginning of the year		<u>387,666</u>
	\$	<u><u>596,749</u></u>

The Net OPEB Obligation history is as follows. (Data in the table below is only presented since the year of transition):

Valuation Date	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
July 1, 2012	\$ 236,585	12%	\$ 596,749
July 1, 2011	\$ 223,823	12%	\$ 387,666
July 1, 2010	\$ 222,917	15%	\$ 190,250

#### Change in Assumptions

The mortality table was changed from the table used in the State of Connecticut's TRB pension plan to the RP 2000 table with generational mortality as current guidelines recommend the actuaries assume improvement in mortality. Also, the trend assumption for medical insurance inflation was reduced to 10% in 2012 and decreasing by one percent per month until reaching 5% per year.

#### Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2012

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### 4. Other Information

#### A. Litigation

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

#### B. Contingencies

**Grants** - The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

**School Building Grants** - Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost of over of two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

#### C. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

#### D. Jointly Governed Organizations

The Towns of Lisbon, Bozrah, Franklin, Lebanon and Sprague entered into an agreement effective July 1, 2010 to operate a regional animal control service. The Animal Control Service's Board of Directors has oversight responsibility over the entity. The board is composed of the First Selectman of each of the five towns. The animal control services net costs are funded on a per capita basis. The Town of Sprague maintains the financial records and financial reports are prepared and presented by the Town of Sprague at the regular meetings of their Board of Directors.

#### 4. Other Information (Continued)

##### E. Contractual Payments

The Town has a contract as the host community for a waste to electricity generating facility. The contract allows Lisbon to impose a quarterly contract fee of \$250,000 in lieu of property taxes, unless property taxes are greater than the contract fee. These contractual payments started with the fiscal year ended June 30, 1994 and are due to end in the fiscal year ending June 30, 2016

##### F. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*. This statement provides guidance for governments that are either transferors or operators of service concession arrangements. A service concession arrangement is one in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant considerations, and the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 61 – *The Financial Reporting Entity: Omnibus* – This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units, and clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012.
- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – This statement incorporates certain authoritative literature into the GASB codification. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – This statement discusses transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods and provides guidance for reporting them. This statement is effective for periods beginning after December 15, 2011.
- GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* – This statement further clarifies that appropriate use of the financial statement elements of deferred outflows and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for periods beginning after December 15, 2012.
- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance. This statement is effective for periods beginning after December 15, 2012.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2012

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**4. Other Information (Continued)**

- GASB Statement 68 - *Accounting and Financial Reporting for Pensions* – This statement, and GASB Statement 67 applicable to pension plans, improves information provided by state and local government employers for better decision making, accountability, interperiod equity, and creating additional transparency.

**Town of Lisbon, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>REVENUES</b>					
<b>Property Tax Revenues</b>					
Property taxes	\$6,917,504	\$ -	\$6,917,504	\$ 6,917,353	\$ (151)
Interest and lien fees	50,000	-	50,000	59,235	9,235
Benefit assessment - WPCA	15,000	-	15,000	13,360	(1,640)
Sewer assessment	10,000	-	10,000	7,863	(2,137)
	<u>6,992,504</u>	<u>-</u>	<u>6,992,504</u>	<u>6,997,811</u>	<u>5,307</u>
<b>Intergovernmental Revenues</b>					
<b>Education</b>					
Education cost sharing	3,899,238	-	3,899,238	3,901,077	1,839
Transportation of school children	74,669	-	74,669	66,895	(7,774)
Special education	55,734	-	55,734	149,526	93,792
	<u>4,029,641</u>	<u>-</u>	<u>4,029,641</u>	<u>4,117,498</u>	<u>87,857</u>
<b>Other</b>					
Pequot funds	28,900	-	28,900	28,749	(151)
Document preservation grant	3,000	-	3,000	3,500	500
DUI enforcement and other grants	47,000	-	47,000	15,581	(31,419)
Boat grant	980	-	980	-	(980)
Local capital improvement grant (LOCIP)	-	-	-	21,500	21,500
Sales tax sharing	3,642	-	3,642	2,923	(719)
Conveyance tax sharing	46,461	-	46,461	46,371	(90)
Emergency homeland security	-	-	-	16,678	16,678
	<u>129,983</u>	<u>-</u>	<u>129,983</u>	<u>135,302</u>	<u>5,319</u>
<b>Tax Relief</b>					
Elderly and totally disabled	30,000	-	30,000	29,480	(520)
Veterans	3,500	-	3,500	3,190	(310)
Totally disabled	500	-	500	524	24
Payment in lieu of taxes - state property	6,930	-	6,930	6,933	3
	<u>40,930</u>	<u>-</u>	<u>40,930</u>	<u>40,127</u>	<u>(803)</u>
<b>Total Intergovernmental</b>	<u>4,200,554</u>	<u>-</u>	<u>4,200,554</u>	<u>4,292,927</u>	<u>92,373</u>
<b>Local Revenues</b>					
<b>Fees</b>					
Land fees	15,000	-	15,000	14,321	(679)
Preservation fees	2,000	-	2,000	3,008	1,008
Planning and zoning fees	6,000	-	6,000	15,837	9,837
Miscellaneous fees	500	-	500	4,229	3,729
Local capital improvement fees	1,800	-	1,800	2,325	525
Sport license fees	50	-	50	178	128
Dog license fees	150	-	150	372	222
	<u>25,500</u>	<u>-</u>	<u>25,500</u>	<u>40,270</u>	<u>14,770</u>
<b>Permits</b>					
Building permits	45,000	-	45,000	55,437	10,437
Pistol permits	1,000	-	1,000	1,890	890
	<u>46,000</u>	<u>-</u>	<u>46,000</u>	<u>57,327</u>	<u>11,327</u>
<b>Charges for Services</b>					
Conveyance tax	18,000	-	18,000	18,615	615
Copies	5,500	-	5,500	6,980	1,480
	<u>23,500</u>	<u>-</u>	<u>23,500</u>	<u>25,595</u>	<u>2,095</u>
<b>Interest on Investments</b>	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>4,899</u>	<u>(4,101)</u>

(Continued)

**Town of Lisbon, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>Wheelabrator</b>					
Contract fee	1,000,000	-	1,000,000	976,591	(23,409)
Host community royalties	116,000	-	116,000	152,709	36,709
	<u>1,116,000</u>	<u>-</u>	<u>1,116,000</u>	<u>1,129,300</u>	<u>13,300</u>
<b>Other</b>					
Telecommunications property	20,000	-	20,000	12,116	(7,884)
Recreation committee program fees	20,000	-	20,000	28,107	8,107
Senior van donation box	800	-	800	838	38
Refunds	-	-	-	2,163	2,163
Misc. other	-	-	-	685	685
Local grants	-	-	-	9,726	9,726
	<u>40,800</u>	<u>-</u>	<u>40,800</u>	<u>53,635</u>	<u>12,835</u>
<b>Total Local</b>	<u>1,260,800</u>	<u>-</u>	<u>1,260,800</u>	<u>1,311,026</u>	<u>50,226</u>
<b>TOTAL REVENUES</b>	<u>12,453,858</u>	<u>-</u>	<u>12,453,858</u>	<u>12,601,764</u>	<u>147,906</u>
<b>SELECTMEN'S EXPENDITURES</b>					
<b>Selectmen's Office</b>					
First selectman's salary	44,191	-	44,191	44,191	-
Second selectman's salary	4,757	-	4,757	4,753	4
Third selectman's salary	4,757	-	4,757	4,753	4
Bookkeeper's salary	17,421	5,425	22,846	22,006	840
Secretary/clerk's salary	39,297	149	39,446	39,350	96
Selectmens' supplies	3,000	-	3,000	2,415	585
Supplies and expense	3,000	-	3,000	1,952	1,048
	<u>116,423</u>	<u>5,574</u>	<u>121,997</u>	<u>119,420</u>	<u>2,577</u>
<b>Town Clerk's Office</b>					
Town clerk's salary	41,859	-	41,859	41,433	426
Asst. town clerk's salary	17,868	5,593	23,461	22,549	912
Records management service	10,400	-	10,400	10,167	233
Supplies and expense	5,000	-	5,000	4,662	338
Vital statistics	400	-	400	310	90
Document preservation grant	3,000	930	3,930	3,462	468
	<u>78,527</u>	<u>6,523</u>	<u>85,050</u>	<u>82,583</u>	<u>2,467</u>
<b>Tax Collector's Office</b>					
Tax collector's salary	35,572	-	35,572	35,545	27
Tax clerk's wages	6,755	-	6,755	5,381	1,374
Contracted service	2,550	-	2,550	2,550	-
Computer management/support	4,850	-	4,850	4,750	100
On line bill pay	1,200	-	1,200	1,200	-
Tax refunds	4,000	-	4,000	3,855	145
Supplies and expense	4,000	(2,000)	2,000	694	1,306
Delinquent motor vehicle tax fee	775	214	989	989	-
	<u>59,702</u>	<u>(1,786)</u>	<u>57,916</u>	<u>54,964</u>	<u>2,952</u>
<b>Assessor's Office</b>					
Assessor's salary	39,296	7,613	46,909	45,626	1,283
Assessor's clerk salary	8,262	1,500	9,762	9,072	690
Tax mapping	800	750	1,550	1,448	102
Computer maintenance/support	8,344	-	8,344	8,344	-
Supplies and expense	2,840	(750)	2,090	1,765	325
	<u>59,542</u>	<u>9,113</u>	<u>68,655</u>	<u>66,255</u>	<u>2,400</u>

(Continued)

**Town of Lisbon, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget	
	Original	Additional Appropriations and Transfers			Final
<b>Treasurer's Office</b>					
Treasurer's salary	17,150	-	17,150	17,137	13
Deputy treasurer's salary	1,000	-	1,000	1,000	-
Bank charges	500	-	500	17	483
Supplies and expense	900	-	900	496	404
	<u>19,550</u>	<u>-</u>	<u>19,550</u>	<u>18,650</u>	<u>900</u>
<b>Board of Finance</b>					
Auditor	30,925	-	30,925	25,630	5,295
Supplies and expense	1,350	-	1,350	984	366
	<u>32,275</u>	<u>-</u>	<u>32,275</u>	<u>26,614</u>	<u>5,661</u>
<b>Planning and Zoning</b>					
Purchased services	40,000	30,000	70,000	64,554	5,446
Supplies and expense	5,000	-	5,000	3,675	1,325
	<u>45,000</u>	<u>30,000</u>	<u>75,000</u>	<u>68,229</u>	<u>6,771</u>
<b>Zoning Board of Appeals</b>					
Supplies and expense	2,000	-	2,000	430	1,570
<b>Board of Tax Review</b>					
Salaries	808	-	808	808	-
Supplies and expense	200	-	200	184	16
	<u>1,008</u>	<u>-</u>	<u>1,008</u>	<u>992</u>	<u>16</u>
<b>Conservation Commission</b>					
Enforcement officer	8,250	-	8,250	8,488	(238)
Supplies and expense	2,500	-	2,500	649	1,851
	<u>10,750</u>	<u>-</u>	<u>10,750</u>	<u>9,137</u>	<u>1,613</u>
<b>Historic District Study Commission</b>					
Historic district study	1	-	1	1	-
<b>Recycling Committee</b>					
Purchased services	54,106	-	54,106	53,761	345
Supplies	250	-	250	-	250
	<u>54,356</u>	<u>-</u>	<u>54,356</u>	<u>53,761</u>	<u>595</u>
<b>Registrars of Voters</b>					
Democratic registrar's salary	7,290	-	7,290	7,290	-
Republican registrar's salary	7,290	-	7,290	7,290	-
Purchased services	600	-	600	-	600
Supplies and expense	42,000	-	42,000	39,596	2,404
Democratic deputy registrar	300	-	300	300	-
Republican deputy registrar	300	-	300	300	-
	<u>57,780</u>	<u>-</u>	<u>57,780</u>	<u>54,776</u>	<u>3,004</u>
<b>Clerk to the Boards</b>					
Clerk to the boards	10,000	547	10,547	9,937	610
Supplies and expenses	400	-	400	391	9
	<u>10,400</u>	<u>547</u>	<u>10,947</u>	<u>10,328</u>	<u>619</u>
<b>Non-Allocated Expenditures</b>					
Employee insurance	226,518	(10,000)	216,518	203,353	13,165
Social Ssecurity and medicare	51,500	(1,000)	50,500	48,497	2,003
Municipal education	5,000	(2,000)	3,000	2,953	47
Unemployment compensation	5,000	(2,500)	2,500	1,791	709
Union related contingency	4,000	350	4,350	4,350	-
Pension	2,500	(1,500)	1,000	878	122

(Continued)

**Town of Lisbon, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Town share retirement compensation	42,615	-	42,615	43,824	(1,209)
Employee retirement unfunded accrued liability	45,533	(7,500)	38,033	37,708	325
Town counsel	45,000	(5,605)	39,395	32,286	7,109
Town engineer	35,000	(10,000)	25,000	22,102	2,898
Insurance and bonding	165,000	-	165,000	110,753	54,247
Payroll service	6,240	-	6,240	5,166	1,074
Consulting fees/contracted services	34,300	30,900	65,200	63,650	1,550
Town hall utilities	32,000	-	32,000	29,321	2,679
Town hall maintenance	9,000	-	9,000	8,992	8
Town hall equipment maintenance	1,000	-	1,000	337	663
Town hall computer	5,000	-	5,000	65	4,935
Town hall copier maintenance	2,850	-	2,850	2,013	837
Town hall postage	12,860	-	12,860	9,400	3,460
Town hall supplies and expense	3,500	-	3,500	3,280	220
Advertising and communications	5,500	-	5,500	4,548	952
Walking weekend	150	-	150	-	150
Donations	1,650	(663)	987	500	487
	<u>741,716</u>	<u>(9,518)</u>	<u>732,198</u>	<u>635,767</u>	<u>96,431</u>
<b>Town Memberships</b>					
Town memberships	56,935	163	57,098	56,034	1,064
<b>Fire Protection</b>					
Lisbon volunteer fire dept.	84,800	-	84,800	84,800	-
LVFD SCBA's	5,000	8	5,008	5,008	-
Hydrant rental	18,500	10,283	28,783	28,782	1
Recruitment/retention	17,000	-	17,000	17,000	-
	<u>125,300</u>	<u>10,291</u>	<u>135,591</u>	<u>135,590</u>	<u>1</u>
<b>Police Protection</b>					
Resident state trooper contract	109,493	627	110,120	110,120	-
Trooper's supplies and expenses	2,700	-	2,700	2,355	345
Resident state trooper overtime	35,000	12,877	47,877	47,877	-
	<u>147,193</u>	<u>13,504</u>	<u>160,697</u>	<u>160,352</u>	<u>345</u>
<b>Other Protection and Prevention</b>					
Building inspector wages	27,500	-	27,500	27,500	-
Fire marshal's salary	6,730	-	6,730	5,782	948
D/Em. mgmt. director's stipend	1,500	-	1,500	1,500	-
Animal control officer's salary	11,376	-	11,376	11,376	-
Tree warden stipend	200	-	200	200	-
Burning official	200	-	200	200	-
Zoning enforcement wages	10,000	115	10,115	10,044	71
Building inspector supplies and expense	457	-	457	77	380
Fire marshal supplies and expense	4,000	492	4,492	3,688	804
Dept. of emergency management expense	3,250	-	3,250	3,242	8
Dog damages	150	-	150	-	150
ZEO supplies and expense	375	-	375	217	158
	<u>65,738</u>	<u>607</u>	<u>66,345</u>	<u>63,826</u>	<u>2,519</u>

(Continued)



**Town of Lisbon, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>Highways and Streets</b>					
Highway department salaries	195,107	1,734	196,841	196,607	234
Street lighting	25,000	-	25,000	24,231	769
Contracted services	48,500	-	48,500	37,976	10,524
Town garage utilities	16,832	-	16,832	16,900	(68)
Town equipment and trucks	75,500	-	75,500	72,220	3,280
Highway dept. supplies	4,500	114	4,614	4,835	(221)
Road repair and maintenance	80,000	-	80,000	79,758	242
General road repair	27,000	(13,512)	13,488	7,212	6,276
Town garage maintenance	7,000	-	7,000	5,906	1,094
Sanitation	25,000	2,000	27,000	26,958	42
	504,439	(9,664)	494,775	472,603	22,172
<b>Health and Welfare</b>					
Public health nursing	12,000	-	12,000	5,000	7,000
Health department	29,026	-	29,026	29,026	-
Sewer line fees	6,915	-	6,915	6,951	(36)
	47,941	-	47,941	40,977	6,964
<b>Seniors and Senior Center</b>					
Senior coordinator's salary	36,411	103	36,514	36,386	128
Van driver's salary	20,657	38	20,695	20,261	434
Senior meal site wages	10,078	-	10,078	9,818	260
Senior center coverage wages	5,088	-	5,088	2,409	2,679
Senior citizen's services	5,500	-	5,500	2,265	3,235
Senior center utilities	18,000	83	18,083	14,540	3,543
Senior coordinator grant	-	410	410	410	-
Senior center maintenance	10,000	-	10,000	7,575	2,425
Senior van maintenance	650	550	1,200	1,101	99
Senior coordinator supplies	1,000	-	1,000	1,000	-
Senior center supplies	900	-	900	811	89
Senior center copier expense	500	-	500	-	500
	108,784	1,184	109,968	96,576	13,392
<b>Recreation</b>					
Special events	33,000	2,200	35,200	34,187	1,013
Recreation purchased services	10,000	-	10,000	9,216	784
Recreation supplies	1,000	-	1,000	915	85
Recreation mnt of municipal rec fields	12,000	8,000	20,000	19,242	758
Lisbon meadows park	28,500	(9,500)	19,000	13,898	5,102
	84,500	700	85,200	77,458	7,742
<b>TOTAL SELECTMEN'S EXPENDITURES</b>	<b>2,429,860</b>	<b>57,238</b>	<b>2,487,098</b>	<b>2,305,323</b>	<b>181,775</b>
<b>BOARD OF EDUCATION</b>	<b>9,349,912</b>	<b>11,210</b>	<b>9,361,122</b>	<b>9,342,848</b>	<b>18,274</b>
<b>CAPITAL OUTLAY</b>	<b>23,000</b>	<b>19,000</b>	<b>42,000</b>	<b>39,783</b>	<b>2,217</b>
<b>DEBT SERVICE</b>					
Principal, Lisbon landing and central school	335,000	-	335,000	335,000	-
Interest, Lisbon landing and central school	131,299	-	131,299	131,299	-
<b>TOTAL DEBT SERVICE</b>	<b>466,299</b>	<b>-</b>	<b>466,299</b>	<b>466,299</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>12,269,071</b>	<b>87,448</b>	<b>12,356,519</b>	<b>12,154,253</b>	<b>202,266</b>

(Continued)

**Town of Lisbon, Connecticut**

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
Year Ended June 30, 2012

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	184,787	(87,448)	97,339	447,511	350,172
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers out	(170,000)	-	(170,000)	(170,000)	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<u>\$ 14,787</u>	<u>\$ (87,448)</u>	<u>\$ (72,661)</u>	277,511	<u>\$ 350,172</u>
<b>Adjustments to Generally Accepted Accounting Principles (GAAP)</b>					
On behalf revenues from teacher's retirement netted in budget				702,724	
On behalf expenditures from teacher's retirement netted in budget				(702,724)	
Change in encumbrances				21,188	
Change in accrued payroll				(6,855)	
Proceeds from long-term debt netted in budget				3,560,000	
Premium on financing				195,711	
Bond issuance costs				(87,920)	
Payment to refunded bond escrow agent				(2,986,510)	
Debt service expenditures netted with proceeds				(677,619)	
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis</b>				<u>\$ 295,506</u>	

**Notes to Required Supplementary Information:** A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. The Town recognizes encumbrances payable as an expenditure in the year they were committed; 3. Revenues and expenditures from refunding or renewing long-term debt or lease proceeds is included in the budget as the net revenue or expenditure expected; 4. General government payroll is recorded on a cash basis; and 5. Certain transfers to the Dog Fund are shown as expenditures in the General Fund.

## Town of Lisbon, Connecticut

Combining Balance Sheet  
 Other Governmental Funds  
 June 30, 2012

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ 471,633	\$ 4,766	\$ 476,399
Other receivables			
Accounts	7,184	-	7,184
Intergovernmental	10,576	-	10,576
Due from other funds	3,933	-	3,933
Inventories	3,726	-	3,726
Total Assets	<u>\$ 497,052</u>	<u>\$ 4,766</u>	<u>\$ 501,818</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 399	\$ -	\$ 399
Accrued payroll and related	276	-	276
Total Liabilities	<u>3,815</u>	<u>-</u>	<u>3,815</u>
Fund Balances			
Nonspendable	3,726	4,411	8,137
Restricted	390,822	-	390,822
Assigned	98,689	355	99,044
Total Fund Balances	<u>493,237</u>	<u>4,766</u>	<u>498,003</u>
Total Liabilities and Fund Balances	<u>\$ 497,052</u>	<u>\$ 4,766</u>	<u>\$ 501,818</u>

**Town of Lisbon, Connecticut**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Other Governmental Funds  
 Year Ended June 30, 2012

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenues	\$ 164,656	\$ -	\$ 164,656
Local revenues	606,478	2	606,480
Total Revenues	<u>771,134</u>	<u>2</u>	<u>771,136</u>
<b>EXPENDITURES</b>			
Current Expenditures			
General government	13,684	-	13,684
Highway and streets	32,261	-	32,261
Recreation	315,896	-	315,896
Education	363,980	-	363,980
Total Expenditures	<u>725,821</u>	<u>-</u>	<u>725,821</u>
Excess of Revenues Over Expenditures	<u>45,313</u>	<u>2</u>	<u>45,315</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>11,376</u>	<u>-</u>	<u>11,376</u>
Net Change in Fund Balance	56,689	2	56,691
Fund Balances - Beginning of Year	<u>436,548</u>	<u>4,764</u>	<u>441,312</u>
Fund Balances - End of Year	<u>\$ 493,237</u>	<u>\$ 4,766</u>	<u>\$ 498,003</u>

## Town of Lisbon, Connecticut

Combining Balance Sheet  
 Special Revenue Funds  
 June 30, 2012

	Dog Fund	Town Aid Road Fund	Farmers Market Fund	Cafeteria Fund	After School Child Care Fund	Preschool Fund	Community Connection HS Fund	Fundraising Fund	Total Special Revenue Funds
<b>ASSETS</b>									
Cash and equivalents	\$ 15,356	\$ 385,532	\$ 590	\$ 17,473	\$ 43,582	\$ 65	\$ 6,062	\$ 2,973	\$ 471,633
Other receivables									
Accounts	-	-	-	-	5,713	1,290	181	-	7,184
Intergovernmental	-	-	-	10,576	-	-	-	-	10,576
Due from other funds	-	91	-	-	-	660	3,182	-	3,933
Inventories	-	-	-	3,726	-	-	-	-	3,726
Total Assets	<u>\$ 15,356</u>	<u>\$ 385,623</u>	<u>\$ 590</u>	<u>\$ 31,775</u>	<u>\$ 49,295</u>	<u>\$ 2,015</u>	<u>\$ 9,425</u>	<u>\$ 2,973</u>	<u>\$ 497,052</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Accounts payable	\$ 20	\$ 291	\$ -	\$ -	\$ -	\$ 88	\$ -	\$ -	\$ 399
Accrued payroll and relatec	-	-	-	276	-	-	-	-	276
Total Liabilities	<u>20</u>	<u>291</u>	<u>-</u>	<u>3,416</u>	<u>-</u>	<u>88</u>	<u>-</u>	<u>-</u>	<u>3,815</u>
Fund Balances									
Nonspendable	-	-	-	3,726	-	-	-	-	3,726
Restricted	-	385,332	590	-	-	1,927	-	2,973	390,822
Assigned	15,336	-	-	24,633	49,295	-	9,425	-	98,689
Total Fund Balances	<u>15,336</u>	<u>385,332</u>	<u>590</u>	<u>28,359</u>	<u>49,295</u>	<u>1,927</u>	<u>9,425</u>	<u>2,973</u>	<u>493,237</u>
Total Liabilities and Fund Balance:	<u>\$ 15,356</u>	<u>\$ 385,623</u>	<u>\$ 590</u>	<u>\$ 31,775</u>	<u>\$ 49,295</u>	<u>\$ 2,015</u>	<u>\$ 9,425</u>	<u>\$ 2,973</u>	<u>\$ 497,052</u>

## Town of Lisbon, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Special Revenue Funds  
 Year Ended June 30, 2012

	Dog Fund	Town Aid Road Fund	Farmers Market Fund	Cafeteria Fund	After School Child Care Fund	Preschool Fund	Community Connection HS Fund	Fundraising Fund	Total Special Revenue Funds
<b>REVENUES</b>									
Intergovernmental revenues	\$ -	\$ 88,173	\$ -	\$ 76,483	\$ -	\$ -	\$ -	\$ -	\$ 164,656
Local revenues	<u>3,284</u>	<u>-</u>	<u>590</u>	<u>136,583</u>	<u>129,648</u>	<u>30,384</u>	<u>305,469</u>	<u>520</u>	<u>606,478</u>
Total Revenues	<u>3,284</u>	<u>88,173</u>	<u>590</u>	<u>213,066</u>	<u>129,648</u>	<u>30,384</u>	<u>305,469</u>	<u>520</u>	<u>771,134</u>
<b>EXPENDITURES</b>									
Current									
General government	13,684	-	-	-	-	-	-	-	13,684
Highway and streets	-	32,261	-	-	-	-	-	-	32,261
Recreation	-	-	-	-	-	-	315,896	-	315,896
Education	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,965</u>	<u>121,068</u>	<u>29,368</u>	<u>-</u>	<u>7,579</u>	<u>363,980</u>
Total Expenditures	<u>13,684</u>	<u>32,261</u>	<u>-</u>	<u>205,965</u>	<u>121,068</u>	<u>29,368</u>	<u>315,896</u>	<u>7,579</u>	<u>725,821</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,400)</u>	<u>55,912</u>	<u>590</u>	<u>7,101</u>	<u>8,580</u>	<u>1,016</u>	<u>(10,427)</u>	<u>(7,059)</u>	<u>45,313</u>
<b>OTHER FINANCING SOURCES</b>									
Transfers in	<u>11,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,376</u>
Net Change in Fund Balances	976	55,912	590	7,101	8,580	1,016	(10,427)	(7,059)	56,689
Fund Balances - Beginning of Yea	<u>14,360</u>	<u>329,420</u>	<u>-</u>	<u>21,258</u>	<u>40,715</u>	<u>911</u>	<u>19,852</u>	<u>10,032</u>	<u>436,548</u>
Fund Balances - End of Yea	<u>\$ 15,336</u>	<u>\$ 385,332</u>	<u>\$ 590</u>	<u>\$ 28,359</u>	<u>\$ 49,295</u>	<u>\$ 1,927</u>	<u>\$ 9,425</u>	<u>\$ 2,973</u>	<u>\$ 493,237</u>

See Independent Auditors' Report

## Town of Lisbon, Connecticut

Combining Balance Sheet  
 Permanent Funds  
 June 30, 2012

	<u>Palmer Fund</u>	<u>Preston Learned Fund</u>	<u>Total Permanent Funds</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 691	\$ 4,075	\$ 4,766
<b>FUND BALANCES</b>			
Nonspendable	\$ 640	\$ 3,771	\$ 4,411
Assigned	51	304	355
Total Fund Balances	<u>\$ 691</u>	<u>\$ 4,075</u>	<u>\$ 4,766</u>

**Town of Lisbon, Connecticut**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Permanent Funds  
 Year Ended June 30, 2012

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	<u>Palmer Fund</u>	<u>Preston Learned Fund</u>	<u>Total Permanent Funds</u>
<b>REVENUES</b>			
Local revenues	\$ -	\$ 2	\$ 2
Fund Balances - Beginning of Year	<u>691</u>	<u>4,073</u>	<u>4,764</u>
Fund Balances - End of Year	<u>\$ 691</u>	<u>\$ 4,075</u>	<u>\$ 4,766</u>



## Town of Lisbon, Connecticut

Combining Statement of Net Assets  
 Agency Funds  
 Year Ended June 30, 2012

	Balance Beginning	Additions	Deductions	Balance Ending
<b>Student Activity Fund</b>				
<b>Assets</b>				
Cash	\$ 14,197	\$ 106,594	\$ (98,011)	\$ 22,780
<b>Liabilities</b>				
Due to others	\$ 14,197	\$ 106,594	\$ (98,011)	\$ 22,780
<b>Surety Bonds</b>				
<b>Assets</b>				
Cash	\$ 187,325	\$ 60,397	\$ (71,773)	\$ 175,949
<b>Liabilities</b>				
Due to others	\$ 181,325	\$ 60,397	\$ (65,773)	\$ 175,949
Due to other funds	6,000	-	(6,000)	-
<b>Total liabilities</b>	<b>\$ 187,325</b>	<b>\$ 60,397</b>	<b>\$ (71,773)</b>	<b>\$ 175,949</b>
<b>Shooting Stars</b>				
<b>Assets</b>				
Cash	\$ 6,634	\$ 12,642	\$ (9,151)	\$ 10,125
<b>Liabilities</b>				
Due to others	\$ 6,634	\$ 12,642	\$ (9,151)	\$ 10,125
<b>Combined Total</b>				
<b>Assets</b>				
Cash	\$ 208,156	\$ 179,633	\$ (178,935)	\$ 208,854
<b>Liabilities</b>				
Due to others	\$ 202,156	\$ 179,633	\$ (172,935)	\$ 208,854
Due to other funds	6,000	-	(6,000)	-
<b>Total liabilities</b>	<b>\$ 208,156</b>	<b>\$ 179,633</b>	<b>\$ (178,935)</b>	<b>\$ 208,854</b>

See Independent Auditors' Report

## Town of Lisbon, Connecticut

Report of the Property Tax Collector  
Year Ended June 30, 2012

Grand List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Transfer to Suspense	Net Ending Receivable Balance	
			Additions	Deductions		Taxes	Interest	Liens			Total
2010	\$ -	\$ 6,889,107	\$ 33,583	\$ (12,921)	\$ 6,909,769	\$ 6,792,749	\$ 19,621	\$ 152	\$ 6,812,522	\$ -	\$ 117,020
2009	101,094	-	83	(301)	100,876	45,967	10,974	500	57,441	-	54,909
2008	62,916	-	42	(363)	62,595	27,961	14,827	332	43,120	12,156	22,478
2007	24,037	-	-	-	24,037	17,493	7,934	264	25,691	-	6,544
2006	8,165	-	34	-	8,199	3,686	4,369	48	8,103	-	4,513
2005	1,652	-	-	-	1,652	1,652	166	48	1,866	-	-
	<u>\$ 197,864</u>	<u>\$ 6,889,107</u>	<u>\$ 33,742</u>	<u>\$ (13,585)</u>	<u>\$ 7,107,128</u>	<u>\$ 6,889,508</u>	<u>\$ 57,891</u>	<u>\$ 1,344</u>	<u>\$ 6,948,743</u>	<u>\$ 12,156</u>	<u>\$ 205,464</u>

## Town of Lisbon, Connecticut

Activity in the Capital and Nonrecurring Fund  
Year Ended June 30, 2012

	Fund Balance Beginning	Appropriations	Internal Transfers	Revenue	Total Available	Current Year Expenditures	Fund Balance Ending
Committed Fund Balance:							
Expenditures Approved							
Open space fees	\$ 92,900	\$ -	\$ -	\$ 9,000	\$ 101,900	\$ -	\$ 101,900
Salt shed construction	65,000	15,000	-	-	80,000	-	80,000
Lisbon meadow park improvements	10,128	-	-	110,869	120,997	(105,499)	15,498
Plan of conservation and development	4,213	25,000	-	-	29,213	-	29,213
Public and safety vehicles	750	-	204,473	-	205,223	(205,223)	-
School 200 meter track	-	-	-	215,242	215,242	(262,387)	(47,145)
School roof	(29,341)	-	29,341	-	-	-	-
Town hall access improvements	834	-	-	-	834	-	834
Senior center boiler	11,684	-	-	-	11,684	-	11,684
	<u>156,168</u>	<u>40,000</u>	<u>233,814</u>	<u>335,111</u>	<u>765,093</u>	<u>(573,109)</u>	<u>191,984</u>
Assigned Fund Balance:							
Assigned for unspecified projects	72,176	-	-	1,305	73,481	-	73,481
Capital projects	82,000	65,000	(29,341)	-	117,659	-	117,659
Revaluation	95,100	10,000	-	-	105,100	-	105,100
Voting machine replacement	10,000	-	-	-	10,000	-	10,000
GIS assessor mapping	60,000	-	-	-	60,000	-	60,000
Public and safety vehicles	210,082	55,000	(204,473)	-	60,609	-	60,609
Land purchases	125,000	-	-	-	125,000	-	125,000
Salt shed construction	150,000	-	-	-	150,000	-	150,000
Plan of conservation and development	35,000	-	-	-	35,000	-	35,000
	<u>839,358</u>	<u>130,000</u>	<u>(233,814)</u>	<u>1,305</u>	<u>736,849</u>	<u>-</u>	<u>736,849</u>
Total of All Projects	<u>\$ 995,526</u>	<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ 336,416</u>	<u>\$ 1,501,942</u>	<u>\$ (573,109)</u>	<u>\$ 928,833</u>

**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***

**The Board of Finance  
Town of Lisbon, Connecticut**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lisbon, Connecticut ( "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW-08-1 to be a material weakness.

## Compliance and Other Matters

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

The Town of Lisbon, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
January 14, 2013

**Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance**

**Independent Auditor's Report**

**The Board of Finance  
Town of Lisbon, Connecticut**

**Compliance**

We have audited the Town of Lisbon, Connecticut's ("Town") compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2012. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

**Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over

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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.

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

### **Schedule of Expenditures of State Financial Assistance**

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2012, and have issued our report thereon dated January 14, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Town's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Town's compliance but not to provide an opinion on the effectiveness of the Town's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*O'Connor Davies, LLP*

Wethersfield, Connecticut  
January 14, 2013

**Town of Lisbon, Connecticut**

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2012

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b>Connecticut State Library</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ 3,500
<b>Department of Environmental Protection</b>		
Small Town Economic Assistance Program (DEP)	12052-DEP43153-40531	105,499
<b>Department of Transportation</b>		
Town Aid Roads	12001-DOT57131-17036	26,846
<b>Office of Policy and Management</b>		
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	534
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	29,480
Property Tax Relief for Veterans	11000-OPM20600-17024	3,190
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	236,742
PILOT on State Owned Property	11000-OPM20600-17004	6,933
<b>Department of Education</b>		
School Readiness and Child Care - Competitive Grant	11000-SDE64370-12113	106,973
School Readiness and Child Care - Quality Enhancement	11000-SDE64370-17097	3,971
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16211	2,321
Health Foods Initiative	11000-SDE64370-16212	5,043
Adult Education	11000-SDE64370-17030	11,896
School Breakfast	11000-SDE64370-17046	3,275
Magnet Schools	11000-SDE64370-17057	<u>10,400</u>
Total State Financial Assistance before Exempt Programs		<u>556,603</u>
<b>EXEMPT PROGRAMS</b>		
<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	3,901,077
Transportation of School Children	11000-SDE64370-17027	66,895
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	163,175
<b>Office of Policy and Management</b>		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	28,749
Municipal Revenue Sharing	12060-OPM20600-35458	2,192
Municipal Video Competition	12060-OPM20600-35362	<u>141</u>
Total exempt programs		<u>4,162,229</u>
Total State Financial Assistance		<u>\$ 4,718,832</u>

See Accountants' Report



## Town of Lisbon, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2012

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### 1. Summary of Significant Accounting Policies

#### General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Lisbon, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2012. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

#### Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of 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.

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**Town of Lisbon, Connecticut**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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**Section 1 - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  X  yes      no
- Significant deficiency(ies) identified?      yes  X  none reported
- Noncompliance material to financial statements noted      yes  X  no

**State Financial Assistance**

Internal control over major programs:

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

Type of report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

    yes  X  no

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

<b>State Grantor and Program</b>	<b>State Core-CT Number</b>	<b>Expenditures</b>
Department of Environmental Protection:		
Small Town Economic Assistance Program	12052-DEP43153-40531	\$105,499
Office of Policy and Management:		
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	\$236,742
Property Tax Relief for Veterans	11000-OPM20600-17024	\$3,190

Dollar threshold used to distinguish between type A and type B programs:

\$100,000

**Section II - Financial Statement Findings**

**MW-08-1 – Entity Level Controls**

**Condition:** Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

## Town of Lisbon, Connecticut

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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### Section II - Financial Statement Findings (Continued)

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Lisbon, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

**Recommendation:** We recommend that as part of developing an accounting manual, the Town of Lisbon, Connecticut consider the entity wide controls as discussed above.

**Management's Response:** After the procedures manual are prepared above, they will be reviewed, risks will be assessed and controls and monitoring will be added as needed.

### Section III - State Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

## Town of Lisbon, Connecticut

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2012

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### MW-07-1 – Documentation of the Components of Internal Control

**Condition:** The Town of Lisbon, Connecticut has numerous internal controls in place over significant processes and accounts. Not all of these controls are formally documented. It is possible for controls to change over time or not be completely understood by the individuals involved in the processes.

**Current Status:** Repeated as part of finding number MW-08-1.

### MW-08-1 – Entity Level Controls

**Condition:** Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework.

The Town of Lisbon, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

**Current Status:** Repeated with the same finding number.