

**Town of Lisbon, Connecticut**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2014

## Town of Lisbon, Connecticut

Table of Contents  
June 30, 2014

---

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
<u>Exhibit</u>	
	Government-Wide Financial Statements
1	Statement of Net Position 12
2	Statement of Activities 13
	Fund Financial Statements
3	Balance Sheet - Governmental Funds 14
3a	Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities 15
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 16
4a	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 17
5	Statement of Net Position - Proprietary Funds 18
6	Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds 19
7	Statement of Cash Flows – Proprietary Funds 20
8	Statement of Fiduciary Net Assets - Fiduciary Funds 21
	Notes to the Financial Statements 22
Required Supplementary Information	
	Schedule of Revenues, Expenditures and Changes in Budgetary Fund Balance – Budgetary Basis – Budget and Actual – General Fund 48
	Schedule of Funding Progress – Other Post-Employment Benefits 54
	Schedule of Employer Contributions – Other Post-Employment Benefits 55
Combining and Individual Fund Financial Statements	
<u>Statement</u>	
	Other Governmental Funds
1	Combining Balance Sheet 56
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 57
	Special Revenue Funds
3	Combining Balance Sheet 58
4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 59
	Permanent Funds
5	Combining Balance Sheet 60
6	Combining Statement of Revenues, Expenditures and Changes in Fund Balances 61
	Agency Funds
7	Combining Statement of Changes in Assets and Liabilities 62

**Town of Lisbon, Connecticut**

Table of Contents (Continued)  
June 30, 2013

---

	<u>Page No.</u>
Supplementary Schedules	
<u>Schedule</u>	
1    Report of the Property Tax Collector	63
2    Statement of Changes in Fund Balance by Project – Capital Nonrecurring Fund	64
Internal Controls and Compliance Reports	
<u>Government Auditing Standards Report</u>	65
State Single Audit	
State Single Audit Report	67
Schedule of Expenditures of State Financial Assistance	70
Notes to the Schedule of Expenditures of State Financial Assistance	71
Schedule of Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings	73

## Independent Auditors' Report

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

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

O'CONNOR DAVIES, LLP  
100 Great Meadow Road, Wethersfield, CT 06109 | Tel: 860.257.1870 | Fax: 860.257.1875 | [www.odpkf.com](http://www.odpkf.com)

## **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, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information and other post-employment benefit 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 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* in considering the Town's internal control over financial reporting and compliance.

*O'Connor Davies, LLP*

December 11, 2014

**Town of Lisbon, Connecticut**

Management's Discussion and Analysis  
June 30, 2014

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2014

---

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, 2014. Please read it in conjunction with the Town's financial statements, which begin with Exhibit 1.

### FINANCIAL HIGHLIGHTS

- The Town has effectively managed its annual budget to again in 2013-14 maintain a budget surplus. This combined with the acquisition of needed assets resulted in an increase in the Town's net position of \$465,575.
- The Town was able to maintain a lower cost of services for 2013-14 than occurred in 2012-13 while still adding additional services with new programs in the recreation department additional funding for both fire and police protection.
- Total revenue exceeded budget projections by \$19,003. Lisbon Taxpayers continue to make timely tax payments resulting in tax revenue at 99.4% of the budgeted amount. Both the Board of Education and General Government budgets came in 1.2% under budgeted amounts with a total of \$150,326 less than budgeted.
- The Town continues to maintain excellent budgetary controls bringing final end of year results within about 1% of the budgeted amounts. The Town's purchase of property adjacent to Town Hall and Lisbon Central School will allow for future expansion of Town services keeping essential Town services all together at the town center.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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



## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2014

---

current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net position* and changes in it. You can think of the Town's net position—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 Position 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 Position and the Statement of Activities) and governmental *funds* in 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 Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2014

---

activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### 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 Position 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 position increased by \$465,575 from a year ago. Last year net position increased by \$377,472. Our analysis below focuses on the net position (Table 1).

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 4,962,096	\$ 4,723,385	\$ 214,226	\$ 184,271	\$ 5,176,322	\$ 4,907,656
Capital assets	12,233,186	12,394,756	2,997,645	3,102,305	15,230,831	15,497,061
Total assets	17,195,282	17,118,141	3,211,871	3,286,576	20,407,153	20,404,717
Long-term debt outstanding	5,612,416	6,057,302	-	-	5,612,416	6,057,302
Other liabilities	311,317	324,014	43,477	49,033	354,794	373,047
Total liabilities	5,923,733	6,381,316	43,477	49,033	5,967,210	6,430,349
Net position:						
Net investment in capital assets	8,201,148	7,857,035	2,997,645	3,102,305	11,198,793	10,959,340
Restricted						
Expendable	557,551	474,084	-	-	557,551	474,084
Nonexpendable	4,413	4,411	-	-	4,413	4,411
Unrestricted	2,508,437	2,401,295	170,749	135,238	2,679,186	2,536,533
Total net position	\$ 11,271,549	\$ 10,736,825	\$ 3,168,394	\$ 3,237,543	\$ 14,439,943	\$ 13,974,368

The Town of Lisbon has increased its net position by \$465,575. This increased net position from \$13,974,368 to 14,439,943. The net Capital asset increase was \$327,058 for assets placed in service in 2013-14 which was offset by a \$14,318 reduction for depreciation.

## Town of Lisbon, Connecticut

### Management's Discussion and Analysis June 30, 2014

The changes in net position of the Town are summarized in Table 2 below. In total, the Town increased net position by \$465,575 this year compared to an increase of \$377,472 last year.

**Table 2  
Change in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 382,969	\$ 709,233	\$ 151,337	\$ 155,877	\$ 534,306	\$ 865,110
Operating grants and contributions	5,595,623	5,350,900	-	-	5,595,623	5,350,900
Capital grants and contributions	2,193	2,586	-	-	2,193	2,586
General revenues:						
Property taxes	8,241,448	8,324,368	-	-	8,241,448	8,324,368
Grants and contributions	170,394	176,871	-	-	170,394	176,871
Interest and investment earnings	5,028	6,182	-	-	5,028	6,182
Loss on disposal of equipment	(7,517)	(8,386)	-	-	(7,517)	(8,386)
Other general revenues (losses)	3,770	-	-	-	3,770	-
Total revenues	14,393,908	14,561,754	151,337	155,877	14,545,245	14,717,631
<b>Program expenses</b>						
General government	1,280,516	1,388,449	-	-	1,280,516	1,388,449
Fire protection	166,684	148,794	-	-	166,684	148,794
Police protection	181,583	127,552	-	-	181,583	127,552
Highways and streets	655,161	416,987	-	-	655,161	416,987
Seniors and senior center	128,488	105,651	-	-	128,488	105,651
Recreation	74,132	76,150	-	-	74,132	76,150
Education	11,283,888	11,751,100	-	-	11,283,888	11,751,100
Interest on long-term debt	88,732	110,232	-	-	88,732	110,232
Water Pollution Control Authority	-	-	220,486	215,244	220,486	215,244
Total expenses	13,859,184	14,124,915	220,486	215,244	14,079,670	14,340,159
Increase (decrease) in net position	\$ 534,724	\$ 436,839	\$ (69,149)	\$ (59,367)	\$ 465,575	\$ 377,472

- Operating Grants increased by \$244,723 this is due to an increase in the municipal revenue sharing of \$33,363, an emergency homeland security grant in the amount of \$32,730 along with an increase in the TAR grant of \$88,086 and a grant for \$98,808 for technology high quality. Other Town grants saw small reductions totaling \$8,264.
- Charges for services decreased mainly due to the closing of Community Connections High School which accounted for revenue of \$269,036 in the prior year.
- The mill rate decreased from 19.6 to 19.4 from the previous year.
- Property Tax revenues decreased primarily from an assessment dispute with a large shopping center located in town that was settled this year reducing the assessment and the expected tax revenue. Along with a reduction due to the decrease in the mill rate of 0.2 mills from the previous year.
- Many of the General government and Education budgets had been reduced. As a result the town still has revenues in excess of expenses for the fiscal year

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2014

### 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.

**Table 3**  
**Governmental Type Activities**

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2014	2013		2014	2013	
<b>Governmental Activities</b>						
General government	\$ 1,280,516	\$ 1,388,449	-7.77%	\$ 1,080,523	\$ 1,206,188	-10.42%
Fire protection	166,684	148,794	12.02%	166,684	148,794	12.02%
Police protection	181,583	127,552	42.36%	159,886	101,840	57.00%
Highways and streets	655,161	416,987	57.12%	476,653	326,172	46.14%
Recreation	128,488	76,150	68.73%	121,791	55,490	119.48%
Seniors and senior center	74,132	105,651	-29.83%	54,436	99,434	-45.25%
Education	11,283,888	11,751,100	-3.98%	5,729,694	6,014,046	-4.73%
Interest on long-term debt	88,732	110,232	-19.50%	88,732	110,232	-19.50%
<b>Totals</b>	<b>\$ 13,859,184</b>	<b>\$ 14,124,915</b>	<b>-1.88%</b>	<b>\$ 7,878,399</b>	<b>\$ 8,062,196</b>	<b>-2.28%</b>

- General government expenses were decreased for 2014 primarily as a result of a decrease in employee insurance in the amount of \$54,787 and close monitoring of expenses by the Board of Finance and the First Selectman's office.
- Fire protection costs were increased due to projected expense for repairs to a number of pieces of apparatus and increased costs of fuel and heating oil.
- Police protections costs increased based on the State of Connecticut estimates for the cost of the resident state troopers salary, benefits and vehicle. \$20,335 of the increase was due to trooper overtime which was offset by a grant.
- Highways and Streets. The increase here is the result of the purchase of the property on Newent Rd for \$180,000
- Recreation also received an increase for needed improvements to town parks and recreation facilities, along with added and expansion of recreation programs.
- Seniors and senior center was reduced because of one time repair expenses incurred the prior year.
- Education costs were reduced as a result of the closing of Community Connections High School which had prior year's expenses of \$283,750.
- Interest on long term debt was reduced as a result of refinancing existing debt to reflect current lower interest rates.

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2014

---

### 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		Incr. Decr.
	2014	2013		2014	2013	
<b>Business-Type Activities</b>						
Water Pollution Control Authority	20,486	215,244	-90.48%	69,149	59,367	16.48%
Totals	<u>\$ 20,486</u>	<u>\$ 215,244</u>	<u>-90.48%</u>	<u>\$ 69,149</u>	<u>\$ 59,367</u>	<u>16.48%</u>

Cost for services remained almost flat with only a \$5,242 increase over 2012-2013.

### THE TOWN'S FUNDS

The fund balance increased by \$261,525. This is lower than the change in net position due to the treatment of capital assets and debt, along with the conversion of \$900,000 in short term debt for the purchase of property in 2013 to long term debt in 2014.

## Town of Lisbon, Connecticut

Management's Discussion and Analysis  
June 30, 2014

---

### 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 appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation 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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Property Taxes	\$ 7,288,932	\$ 7,235,811	\$ (53,121)
Intergovernmental	4,134,194	4,166,745	32,551
Local Revenue	1,278,325	1,317,898	39,573
<b>Total Revenues</b>	<u>12,701,451</u>	<u>12,720,454</u>	<u>19,003</u>
<b>Expenditures</b>			
Selectmen's expenditures	2,554,699	2,411,904	142,795
Education	9,389,636	9,382,105	7,531
Capital outlay	203,000	199,492	3,508
Debt Service	584,363	574,275	10,088
Transfers out	215,000	215,000	-
<b>Total Expenditures</b>	<u>12,946,698</u>	<u>12,782,776</u>	<u>163,922</u>
<b>Increase (Decrease) in Fund Balance</b>	<u>\$ (245,247)</u>	<u>\$ (62,322)</u>	<u>\$ 182,925</u>

The Town originally budgeted for no change in the fund balance  
Significant variances are summarized as follows:

- Property taxes decreased over the budgeted amount primarily due to the settlement of a tax assessment law suit and a reduction in the assessment of a major shopping mall in town.
- Both intergovernmental and local revenues increased over budgeted figures providing \$19,003 in additional total revenue.
- Unexpected savings of \$54,787 in the employee benefit costs along with savings in other general budget accounts brought the General budget expenses under final budget projections by \$142,795.
- The Board of Education had savings of \$7,531 below their budget allocation.

## **Town of Lisbon, Connecticut**

Management's Discussion and Analysis  
June 30, 2014

---

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

#### **Capital Assets**

At the end of this year, the Town had \$12,233,186 invested government activity capital assets and \$2,997,645 invested in business-type capital assets. This amount represents a net decrease (including additions and deductions) of \$266,230 from last year. The decrease in capital assets resulted from depreciation expense of \$585,772 and the purchase of assets, the largest purchase being \$180,000 for the Newent Road property. Further information about the Town's capital assets is presented in Note 3D to the financial statements.

#### **Debt**

At year end, the Town had \$3,845,000 in bonds outstanding. This is a decrease of \$480,000 from last year which was a payment on old debt.

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 3E to the financial statements.

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

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rates.

The Town has been very conservative during this extended down turn in the economy by keeping the mill rate as low and flat as possible, only increasing budgeted expenditures where critically necessary. The Town has maintained a close watch on expenditures to bring them in consistently below budget and has conserved its fund balance. This combines with the majority of taxpayers making their tax payments on time and some large commercial development over the past couple of years.

2014-15 budgeted selectmen's expenditures are only \$96,024 above the 2013-14 budgeted amounts and the Board of Education 2014-15 budgeted amount is only \$141,742 over the 2013-14 budgeted amounts.

As a result of this increased spending the Town increased the mill rate from 19.4 to 19.5 mills for the 2014-15 fiscal year.

### **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**

Basic Financial Statements  
June 30, 2014



## Town of Lisbon, Connecticut

Statement of Net Position  
June 30, 2014

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 4,584,970	\$ 162,740	\$ 4,747,710
Receivables			
Taxes, net	160,364	-	160,364
Special assessments	151,289	-	151,289
Accounts, net	8,354	-	8,354
Usage, net	-	51,486	51,486
Intergovernmental	8,249	-	8,249
Interest on taxes receivable	42,224	-	42,224
Due from other funds	261	-	261
Inventories	6,385	-	6,385
Capital assets			
Nondepreciable	2,378,854	-	2,378,854
Depreciable, net of accumulated depreciation	9,854,332	2,997,645	12,851,977
Total Assets	<u>17,195,282</u>	<u>3,211,871</u>	<u>20,407,153</u>
<b>LIABILITIES</b>			
Accounts payable	177,430	43,216	220,646
Accrued payroll and related	58,387	-	58,387
Unearned revenues - performance	34,793	-	34,793
Due to other funds	-	261	261
Accrued interest payable	40,707	-	40,707
Non-current liabilities			
Due within one year	1,415,451	-	1,415,451
Due in more than one year	4,196,965	-	4,196,965
Total Liabilities	<u>5,923,733</u>	<u>43,477</u>	<u>5,967,210</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,201,148	2,997,645	11,198,793
Restricted			
Expendable	557,551	-	557,551
Nonexpendable	4,413	-	4,413
Unrestricted	2,508,437	170,749	2,679,186
Total Net Position	<u>\$ 11,271,549</u>	<u>\$ 3,168,394</u>	<u>\$ 14,439,943</u>

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

## Town of Lisbon, Connecticut

Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ 1,280,516	\$ 114,364	\$ 85,629	\$ -	\$ (1,080,523)		\$ (1,080,523)
Fire protection	166,684	-	-	-	(166,684)		(166,684)
Police protection	181,583	-	21,697	-	(159,886)		(159,886)
Highways and streets	655,161	-	176,315	2,193	(476,653)		(476,653)
Seniors and senior center	128,488	5,980	717	-	(121,791)		(121,791)
Recreation	74,132	19,696	-	-	(54,436)		(54,436)
Education	11,283,888	242,929	5,311,265	-	(5,729,694)		(5,729,694)
Interest on long-term debt	88,732	-	-	-	(88,732)		(88,732)
Total Governmental Activities	13,859,184	382,969	5,595,623	2,193	(7,878,399)		(7,878,399)
<b>Business-type activities</b>							
Water Pollution Control Authority	220,486	151,337	-	-		(69,149)	(69,149)
Total Government	\$ 14,079,670	\$ 534,306	\$ 5,595,623	\$ 2,193		(69,149)	(7,947,548)
<b>General Revenues</b>							
Property taxes, payments in lieu of taxes, interest and liens					8,241,448	-	8,241,448
Grants and contributions not restricted to specific programs					170,394	-	170,394
Unrestricted interest and investment earnings					5,028	-	5,028
Gain (loss) on disposal of equipment					(7,517)	-	(7,517)
Other general revenues					3,770	-	3,770
Total General Revenues					8,413,123	-	8,413,123
Change in Net Position					534,724	(69,149)	465,575
Net Position - Beginning of Year					10,736,825	3,237,543	13,974,368
Net Position - End of Year					\$ 11,271,549	\$ 3,168,394	\$ 14,439,943

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

## Town of Lisbon, Connecticut

Balance Sheet  
 Governmental Funds  
 June 30, 2014

	General	Capital Nonrecurring Fund	Town Aid Roads	Special Educational Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and equivalents	\$ 2,634,436	\$ 1,318,879	\$ 513,099	\$ 77,050	\$ 41,506	\$ 4,584,970
Taxes receivable, net of allowance for uncollectible amounts	160,364	-	-	-	-	160,364
Other receivables						
Special assessments	151,289	-	-	-	-	151,289
Accounts	-	-	-	521	7,833	8,354
Intergovernmental	-	-	-	-	8,249	8,249
Interest on taxes receivable	42,224	-	-	-	-	42,224
Due from other funds	26,522	72,700	91	-	-	99,313
Inventories	-	-	-	-	6,385	6,385
Total Assets	<u>\$ 3,014,835</u>	<u>\$ 1,391,579</u>	<u>\$ 513,190</u>	<u>\$ 77,571</u>	<u>\$ 63,973</u>	<u>\$ 5,061,148</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 148,700	\$ -	\$ 269	\$ 27,926	\$ 535	\$ 177,430
Accrued payroll and related	58,111	-	-	-	276	58,387
Unearned revenues - performance	-	-	-	32,975	1,818	34,793
Due to other funds	72,791	1,897	650	23,470	244	99,052
Total Liabilities	<u>279,602</u>	<u>1,897</u>	<u>919</u>	<u>84,371</u>	<u>2,873</u>	<u>369,662</u>
Deferred inflows of resources						
Deferred revenues - not available	<u>324,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,892</u>
Fund Balances						
Nonspendable	-	-	-	-	10,382	10,382
Restricted	40,033	-	512,271	-	5,247	557,551
Committed	-	298,259	-	-	-	298,259
Assigned	87,126	1,091,423	-	-	45,491	1,224,040
Unassigned	<u>2,283,182</u>	<u>-</u>	<u>-</u>	<u>(6,800)</u>	<u>(20)</u>	<u>2,276,362</u>
Total Fund Balances	<u>2,410,341</u>	<u>1,389,682</u>	<u>512,271</u>	<u>(6,800)</u>	<u>61,100</u>	<u>4,366,594</u>
Total Liabilities , Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,014,835</u>	<u>\$ 1,391,579</u>	<u>\$ 513,190</u>	<u>\$ 77,571</u>	<u>\$ 63,973</u>	<u>\$ 5,061,148</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 Position - Governmental Activities  
 June 30, 2014
 

---

Fund Balances - Total Governmental Funds (Exhibit 3)	\$ 4,366,594
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,233,186
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	324,892
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(3,845,000)
Compensated absences	(261,379)
Other post employment benefits	(920,548)
Pension	(398,451)
Bond and lease premiums	(187,038)
Accrued interest	(40,707)
	<u>(5,653,123)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 11,271,549</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, 2014

	General	Capital Nonrecurring Fund	Town Aid Roads	Special Educational Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes, interest and lien fees	\$ 7,235,811	\$ -	\$ -	\$ -	\$ -	\$ 7,235,811
Intergovernmental revenues	5,004,354	-	176,315	402,362	65,990	5,649,021
Local revenues	1,303,910	8,305	-	-	234,970	1,547,185
Total Revenues	<u>13,544,075</u>	<u>8,305</u>	<u>176,315</u>	<u>402,362</u>	<u>300,960</u>	<u>14,432,017</u>
<b>EXPENDITURES</b>						
Current						
General government	1,458,577	-	-	-	2,619	1,461,196
Fire protection	161,601	-	-	-	-	161,601
Police protection	181,583	-	-	-	-	181,583
Highway and streets	621,951	-	86,456	-	-	708,407
Seniors and senior center	121,406	-	-	-	5,157	126,563
Recreation	48,395	-	-	-	-	48,395
Education	10,157,341	-	-	407,005	315,784	10,880,130
Debt service						
Principal	1,380,000	-	-	-	-	1,380,000
Interest	94,275	-	-	-	-	94,275
Capital outlay	19,492	12,620	-	-	-	32,112
Total Expenditures	<u>14,244,621</u>	<u>12,620</u>	<u>86,456</u>	<u>407,005</u>	<u>323,560</u>	<u>15,074,262</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(700,546)</u>	<u>(4,315)</u>	<u>89,859</u>	<u>(4,643)</u>	<u>(22,600)</u>	<u>(642,245)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	14,622	215,000	-	695	-	230,317
Transfers out	(215,000)	-	-	-	(15,317)	(230,317)
Issuance of long-term debt	900,000	-	-	-	-	900,000
Total Other Financing Sources (Uses)	<u>703,392</u>	<u>215,000</u>	<u>-</u>	<u>695</u>	<u>(15,317)</u>	<u>903,770</u>
Net Change in Fund Balances	2,846	210,685	89,859	(3,948)	(37,917)	261,525
Fund Balances (Deficit) - Beginning of Year	<u>2,407,495</u>	<u>1,178,997</u>	<u>422,412</u>	<u>(2,852)</u>	<u>99,017</u>	<u>4,105,069</u>
Fund Balances (Deficit) - End of Year	<u>\$ 2,410,341</u>	<u>\$ 1,389,682</u>	<u>\$ 512,271</u>	<u>\$ (6,800)</u>	<u>\$ 61,100</u>	<u>\$ 4,366,594</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, 2014
 

---

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

Net Change in Fund Balances - Total Governmental Funds	\$ <u>261,525</u>
--	-------------------

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 depreciation expense exceeded capital outlay in the current period.

Capital outlay expenditures	327,059
Depreciation expense	(481,112)
Undepreciated basis of assets disposed of or sold	<u>(7,517)</u>
	<u>(161,570)</u>

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

Real property taxes and other revenues in the General Fund	<u>(15,149)</u>
--	-----------------

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.

Issuance of long-term debt - general obligation bonds	(900,000)
Principal payments on long-term debt	1,380,000
Principal payments on capital lease	17,031
Amortization of loss on refunding bonds and issuance premium	<u>8,141</u>
	<u>505,172</u>

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

Accrued interest	5,543
Compensated absences	63,542
Change in pension and other post employment benefits asset/liability	<u>(124,339)</u>
	<u>(55,254)</u>

Change in Net Assets of Governmental Activities	<u>\$ 534,724</u>
---	-------------------

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

**Town of Lisbon, Connecticut**

Statement of Net Position

Proprietary Fund

June 30, 2014

	Water Pollution Control Authority
<b>ASSETS</b>	
Current assets	
Cash and equivalents	\$ 162,740
Receivables	
Usage, net	<u>51,486</u>
Total Current Assets	<u>214,226</u>
Noncurrent assets	
Capital assets	
Buildings and improvements	4,186,405
Less - Accumulated depreciation	<u>(1,188,760)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>2,997,645</u>
Total Assets	<u>3,211,871</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	43,216
Due to other funds	<u>261</u>
Total Current Liabilities	<u>43,477</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	2,997,645
Unrestricted	<u>170,749</u>
Total Net Position	<u>\$ 3,168,394</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 Position  
 Proprietary Fund  
 Year Ended June 30, 2014

	<u>Water Pollution Control Authority</u>
Operating Revenues	
Charges for services	<u>\$ 144,468</u>
Operating Expenses	
Contractual services	99,074
Other supplies and expenses	9,883
Depreciation	<u>104,660</u>
Total Operating Expenses	<u>213,617</u>
Loss from Operations	(69,149)
Net Position - Beginning of Year	<u>3,237,543</u>
Net Position - End of Year	<u>\$ 3,168,394</u>

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



**Town of Lisbon, Connecticut**

Statement of Cash Flows  
 Proprietary Fund  
 Year Ended June 30, 2014

	<u>Water Pollution Control Authority</u>
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 144,468
Cash payments to suppliers	<u>(114,513)</u>
Net Cash from Operating Activities	29,955
Cash and Equivalents - Beginning of Year	<u>132,785</u>
Cash and Equivalents - End of Year	<u>\$ 162,740</u>
Reconciliation of Loss from Operations to Net Cash from Operating Activities	
Loss from operations	\$ (69,149)
Adjustments to reconcile loss from operations to net cash from operating activities	
Depreciation	104,660
Changes in operating assets and liabilities	
Accounts payable	<u>(5,556)</u>
Net Cash from Operating Activities	<u>\$ 29,955</u>

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

**Town of Lisbon, Connecticut**

Statement of Net Position

Fiduciary Funds

June 30, 2014

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 133,115
	<u>                    </u>
<b>LIABILITIES</b>	
Due to others	\$ 133,115
	<u>                    </u>

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

## **Town of Lisbon, Connecticut**

Notes to Financial Statements  
June 30, 2014

---

### **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 led 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 Position 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 Position 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 position, 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:

## 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.

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.

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, committed or assigned 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.

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

Senior Program Fund – These fees are used to support the Senior Center sandwich program.

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.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

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 statements.

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 but 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.

**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, Deferred Outflows/Inflows of Resources and Net Position 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.

Investments are stated at fair value, based on quoted market prices.

**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. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from 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.



## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

**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.

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.

**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.

**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, 2014, 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.

**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.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

---

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

**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.

Intangible assets lack physical substance, is nonfinancial in nature and its 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 Revenues** - Unearned 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 Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Also, 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.

**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 Position.

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 Position** - Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its 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 position on the Statement of Net Position includes, net investment in capital assets 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).

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

- 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.
- 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 is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. 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 and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

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.

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

### 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, deferred inflows and outflows 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.

### 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 December 11, 2014.

## 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.
- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue.
- **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.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

**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.

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.

**D. Expenditures in Excess of Budget**

During the year \$307,760 of additional appropriations were made. The following appropriations were over expended by the amount indicated:

**Selectmen's Expenditures**

Town Clerk's Office		Police Protection	
Asst. town clerk's salary	\$ 31	Resident state trooper overtime	\$ 2,842
Assessor's Office		Other Protection and Prevention	
Assessor's clerk salary	\$ 399	Building inspector wages	\$ 77
Treasurer's Office		Recreation	
Deputy treasurer's salary	\$ 4	Special events	\$ 250
Non-Allocated Expenditures			
Town share retirement comp	\$ 775		
Town counsel	\$ 1,187		
Town hall postage	\$ 1,132		

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

#### E. Application of Accounting Standards

For the year ended June 30, 2014, the Town implemented:

- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance.
- GASB Statement 67 – *Financial Reporting for Pension Plans* – This statement amends GASB Statement 25.
- GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

### 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, 2014:

Statement of Net Position - Governmental Funds	
Cash and equivalents	\$ 4,584,970
Statement of Net Position - Proprietary Fund	
Cash and equivalents	162,740
Fiduciary Funds	
Cash and equivalents	133,115
Total Cash and Investments	<u>\$ 4,880,825</u>

**Cash and Cash Equivalents** - As of June 30, 2014 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 1,082,789
Plus external investment pools	3,798,036
	<u>\$ 4,880,825</u>

The bank balance of the deposits with financial institutions was \$1,311,722 and was exposed to custodial credit risk as follows:

Covered by federal depository insurance	\$ 472,323
Uninsured and uncollateralized	839,399
	<u>\$ 1,311,722</u>

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

**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
Property taxes	173,603
Special assessments	151,289
	<u>\$ 324,892</u>

Governmental funds 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, 2014.

	Special Educational Grants	Other Governmental Funds
Advances on grants	\$ 32,975	\$ -
Fees collected in advance	-	1,818
	<u>\$ 32,975</u>	<u>\$ 1,818</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, 2014 these were summarized as follows

Receivable fund	Payable Fund	Amount
General fund	Special educational grants	\$ 23,470
General fund	Preschool Fund	244
General fund	Capital nonrecurring fund	1,897
General fund	Town aid road fund	650
General fund	Water pollution controll authority fund	261
Capital nonrecurring fund	General fund	72,700
Town aid road fund	General fund	91
		<u>\$ 99,313</u>



**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

**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, 2014 were as follows

	Transfers into:			Total
	General Fund	Capital Nonrecurring Fund	Special Educational Grants	
Transfers out of:				
General fund	\$ -	\$ 215,000	\$ -	\$ 215,000
Dog Fund	14,622	-	-	14,622
Fundraising	-	-	695	695
	<u>\$ 14,622</u>	<u>\$ 215,000</u>	<u>\$ 695</u>	<u>\$ 230,317</u>

**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	\$ 2,192,735	\$ 186,119	\$ -	\$ 2,378,854
Capital assets being depreciated				
Buildings and systems	14,026,982	17,832	-	14,044,814
Machinery and equipment	3,067,804	43,520	(14,318)	3,097,006
Infrastructure	1,653,256	79,588	-	1,732,844
Less accumulated depreciation	(8,546,021)	(481,112)	6,801	(9,020,332)
	<u>10,202,021</u>	<u>(340,172)</u>	<u>(7,517)</u>	<u>9,854,332</u>
	<u>\$ 12,394,756</u>	<u>\$ (154,053)</u>	<u>\$ (7,517)</u>	<u>\$ 12,233,186</u>

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

General government	14,769
Fire protection	283
Highways and streets	80,025
Recreation	25,737
Seniors and senior center	1,773
Education	358,525
	<u>\$ 481,112</u>

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

	Beginning Balance	Increases	Ending Balance
Capital assets being depreciated			
Buildings and systems	\$ 4,186,405	\$ -	4,186,405
Less Accumulated Depreciation	(1,084,100)	(104,660)	(1,188,760)
	<u>\$ 3,102,305</u>	<u>\$ (104,660)</u>	<u>\$ 2,997,645</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, 2014

**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, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,425,000	\$ -	\$ (480,000)	2,945,000	475,000
Bond anticipation notes	900,000	900,000	(900,000)	900,000	900,000
Capital leases	17,031	-	(17,031)	-	-
Compensated absences	324,921	-	(63,542)	261,379	22,142
Pension obligations	404,100	-	(5,649)	398,451	6,092
OPEB obligations	790,560	163,809	(33,821)	920,548	-
Less: Issue discounts	195,179	-	(8,141)	187,038	12,217
	<u>\$ 6,056,791</u>	<u>\$ 1,063,809</u>	<u>\$ (1,508,184)</u>	<u>\$ 5,612,416</u>	<u>\$ 1,415,451</u>

Each governmental fund liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is 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, 2014 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%	\$ 2,945,000
Land Purchase	2014	\$ 900,000	8/14/2014	0.58%	900,000
					<u>\$ 3,845,000</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2014 totaled \$88,732. 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
2015	1,375,000	84,070	2020	220,000	22,650
2016	475,000	66,975	2021	220,000	16,050
2017	465,000	52,875	2022	215,000	9,525
2018	335,000	40,875	2023	210,000	3,150
2019	330,000	30,900		<u>\$ 3,845,000</u>	<u>\$ 327,070</u>

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

**Capital Leases Payable**

The Town has entered a lease agreement to finance the acquisition of computers for the school. The cost of the computers is included in the capital assets with a cost of \$71,900 and accumulated depreciation of \$49,132. This lease qualifies as a capital lease for accounting purposes. The lease was paid off during the year.

Interest paid and expensed on capital leases for the year ended June 30, 2014 totaled \$358.

**Compensated Absences**

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

**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 7.85% per year. The future payments on this obligation will be paid out of the General Fund as follows:

<u>Year End</u>	<u>Principal</u>	<u>Interest</u>	<u>Year End</u>	<u>Principal</u>
2015	6,092	31,284	2027	15,090
2016	6,571	30,806	2028	16,275
2017	7,086	30,290	2029	17,552
2018	7,643	29,733	2030	18,931
2019	8,243	29,133	2031	20,417
2020	8,890	28,486	2032	22,020
2021	9,588	27,788	2033	23,749
2022	10,341	27,035	2034	25,613
2023	11,153	26,223	2035	27,624
2024	12,028	25,348	2036	29,793
2025	12,973	24,403	2037	32,132
2026	13,991	23,385	2038	34,656
				<u>\$ 398,451</u>

Interest incurred and expensed on the MERS buy-in for the year ended June 30, 2014 totaled \$31,727.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2014

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

The Bonds due on August 14, 2014 were refinanced with \$855,000 of new debt with an interest rate of 1% per year. The new debt is due in August 2015.

**Prior Year Defeasance of Debt**

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2014, \$2,595,000 of bonds outstanding 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 are as follows:

Total tax collections (including interest and lien fees) for the year - primary government					\$ 7,235,811
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)					<u>22,032</u>
Debt limitation base					<u>\$ 7,257,843</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 16,330,147	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	32,660,294	-	-	-
3 3/4 times base	-	-	27,216,911	-	-
3 1/4 times base	-	-	-	23,587,990	-
3 times base	-	-	-	-	21,773,529
Total debt limitation	<u>16,330,147</u>	<u>32,660,294</u>	<u>27,216,911</u>	<u>23,587,990</u>	<u>21,773,529</u>
Indebtedness					
Bonds payable	<u>900,000</u>	<u>1,001,300</u>	<u>1,943,700</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 15,430,147</u>	<u>\$ 31,658,994</u>	<u>\$ 25,273,211</u>	<u>\$ 23,587,990</u>	<u>\$ 21,773,529</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$ 50,804,901</u>

**F. Net Position**

The components of net position are detailed below:

*Net Investment in Capital Assets* - the component of net position 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 Position - Nonexpendable* - the component of net position 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 \$4,413 of trust principal.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2014

---

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

*Restricted Net Position – Expendable* - the component of net position 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:

General Government	\$ 44,257
Education	1,023
Public works	512,271
	<u>\$ 557,551</u>

*Unrestricted* - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

**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:

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Town Aid Roads</u>	<u>Other Governmental Funds</u>
<b>Nonspendable</b>				
Not in spendable form				
Inventories	\$ -	\$ -	\$ -	\$ 5,969
Required to be maintained				
Trust principal	-	-	-	4,413
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,382</u>
<b>Restricted</b>				
General Government	40,033	-	-	4,224
Education	-	-	-	1,023
Public works	-	-	512,271	-
Culture and recreation	-	-	-	-
	<u>\$ 40,033</u>	<u>\$ -</u>	<u>\$ 512,271</u>	<u>\$ 5,247</u>
<b>Committed</b>				
Capital Projects	-	298,259	-	-
	<u>\$ -</u>	<u>\$ 298,259</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Assigned</b>				
Education	85,126	-	-	45,491
Capital projects	-	1,091,423	-	-
To balance next year's budget	2,000	-	-	-
	<u>\$ 87,126</u>	<u>\$ 1,091,423</u>	<u>\$ -</u>	<u>\$ 45,491</u>

## **Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

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

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, 2014, the State contributed \$710,357 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, 2014 was \$4,948,358 of which \$3,106,607 was covered under this pension plan.

##### **Connecticut Municipal Employees' Retirement Fund B**

###### **1) Plan description**

The Municipal Employees' Retirement System (MERS) is a cost sharing multiple employer public 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.

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, 2012, there were 191 participating local governmental units (counting departments of municipalities that joined or reported separately as separate units). The MERS membership consisted of:

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

	<u>Number</u>
Retired participants and beneficiaries currently receiving benefits	6,095
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	
Vested	703
Non-vested	206
Active	<u>8,711</u>
	<u>15,715</u>

**2) Plan Benefits**

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 paid to disabled members and non-disabled retirement benefits and vary based on 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 retired 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: 1½% 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 2013 is \$65,300.

**3) Obtaining a Report of the Plan**

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. More information can be obtain by contacting the Municipal Employees' Retirement System – Fund B, Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106 or on their website.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

**4) Funding Policy**

Covered employees are required by State Statute to contribute 2¼% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Employees not covered by Social Security are required to contribute 5% of all earnings. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan.

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general 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. The required employer contribution rates for the year ended June 30, 2014 were:

General employees	
With social security	11.98%
Without social security	13.00%
Police and fire	
With social security	16.96%
Without social security	16.01%

**5) Contributions made**

A summary of the employer contributions made in dollars and as a percentage of the covered payroll for the current year and each of the preceding two years is:

Year Ended June 30,	Employer Contribution	
	Required in Dollars	Made as Percent of Required
2014	\$ 45,775	100%
2013	\$ 39,534	100%
2012	\$ 43,824	100%

**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. The Connecticut General Statutes and the various collective bargaining agreements stipulate the employees covered and the benefits provided. The plan does not issue a separate financial statement.



**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
 June 30, 2014

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

**Funding Policy** - Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees' health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements.

**Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")**

Amortization Component:

Actuarial Accrued Liability as of July 1, 2012	\$ 1,906,637
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 1,906,637</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 3,405,206</u>
UAAL as a Percentage of Covered Payroll	<u>55.99%</u>
Annual required contribution	\$ 174,572
Interest on net OPEB obligation	35,213
Adjustment to annual required contribution	<u>(45,976)</u>
Annual OPEB Cost	163,809
Contributions made	<u>(33,821)</u>
Increase in net OPEB obligation	129,988
Net OPEB Obligation - Beginning of the year	790,560
	<u>\$ 920,548</u>

Three year trend information is as follows:

Year Ended June 30,	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
2014	\$ 163,809	\$ 33,821	21%	\$ 920,548
2013	225,921	32,110	14%	790,560
2012	236,585	31,066	13%	596,749

**Actuarial Methods and Significant Assumptions** - The Town's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities is using a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**Town of Lisbon, Connecticut**

Notes to Financial Statements (Continued)  
June 30, 2014

---

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

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

Other actuarial methods and significant assumptions are summarized as follows:

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.

**Schedule of Funding Progress**

As of the last valuation date, July 1, 2012, the actuarial valuation of the plan assets was \$0. The actuarial accrued liability was \$1,906,637. The schedule of funding progress immediately following the notes to the financial statements 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.

## Town of Lisbon, Connecticut

Notes to Financial Statements (Continued)  
June 30, 2014

---

### 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.

#### F. 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)**

**G. 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 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. This statement is effective for fiscal years beginning after June 15, 2014.
- GASB Statement 69 – *Government Combinations and Disposals of Government Operations* - This statement establishes accounting and financial reporting standards related to a variety of transactions such as mergers, acquisitions, and transfers of operations. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.
- GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – This statement is an amendment of GASB Statement 68 and should be applied simultaneously with the provisions of Statement 68.

\*\*\*\*\*

**Town of Lisbon, Connecticut**

Required Supplementary Information  
June 30, 2014

**Town of Lisbon, Connecticut**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
 Year Ended June 30, 2014

	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	\$7,266,932	\$ -	\$7,266,932	\$ 7,217,700	\$ (49,232)
Benefit assessment - WPCA	14,000	-	14,000	13,360	(640)
Sewer assessment	8,000	-	8,000	4,751	(3,249)
	<u>7,288,932</u>	<u>-</u>	<u>7,288,932</u>	<u>7,235,811</u>	<u>(53,121)</u>
<b>Intergovernmental Revenues</b>					
<b>Education</b>					
Education cost sharing	3,933,847	-	3,933,847	3,934,014	167
Transportation of school children	55,000	-	55,000	54,390	(610)
Magnet School Transportation	-	-	-	16,900	16,900
Hold Harmless Grant	23,422	-	23,422	-	(23,422)
	<u>4,012,269</u>	<u>-</u>	<u>4,012,269</u>	<u>4,005,304</u>	<u>(6,965)</u>
<b>Other</b>					
Pequot funds	3,694	-	3,694	28,967	25,273
Document preservation grant	4,000	-	4,000	4,000	-
DUI enforcement and other grants	80,231	-	80,231	62,495	(17,736)
Boat grant	-	-	-	747	747
Emergency homeland security	-	-	-	32,730	32,730
	<u>87,925</u>	<u>-</u>	<u>87,925</u>	<u>128,939</u>	<u>41,014</u>
<b>Tax Relief</b>					
Elderly and totally disabled	30,000	-	30,000	22,032	(7,968)
Veterans	3,500	-	3,500	2,805	(695)
Totally disabled	500	-	500	547	47
Payment in lieu of taxes - state property	-	-	-	7,118	7,118
	<u>34,000</u>	<u>-</u>	<u>34,000</u>	<u>32,502</u>	<u>(1,498)</u>
	<u>4,134,194</u>	<u>-</u>	<u>4,134,194</u>	<u>4,166,745</u>	<u>32,551</u>
<b>Local Revenues</b>					
<b>Fees</b>					
Land fees	17,000	-	17,000	17,604	604
Preservation fees	1,100	-	1,100	1,725	625
Planning and zoning fees	12,000	-	12,000	5,872	(6,128)
Miscellaneous fees	500	-	500	3,586	3,086
Local capital improvement fees	2,000	-	2,000	2,193	193
Sport license fees	75	-	75	118	43
Dog license fees	250	-	250	362	112
	<u>32,925</u>	<u>-</u>	<u>32,925</u>	<u>31,460</u>	<u>(1,465)</u>
<b>Permits</b>					
Building permits	38,000	-	38,000	52,040	14,040
Pistol permits	600	-	600	2,030	1,430
	<u>38,600</u>	<u>-</u>	<u>38,600</u>	<u>54,070</u>	<u>15,470</u>
<b>Charges for Services</b>					
Conveyance tax	16,000	-	16,000	20,747	4,747
Copies	6,000	-	6,000	6,904	904
	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>27,651</u>	<u>5,651</u>
<b>Interest on Investments</b>					
	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>3,213</u>	<u>(1,787)</u>

(Continued)

**Town of Lisbon, Connecticut**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
 Year Ended June 30, 2014

	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	\$ 976,275	\$ (23,725)
Host community royalties	145,000	-	145,000	141,427	(3,573)
	<u>1,145,000</u>	<u>-</u>	<u>1,145,000</u>	<u>1,117,702</u>	<u>(27,298)</u>
<b>Other</b>					
Telecommunications property	11,000	-	11,000	11,259	259
Recreation committee program fees	23,000	-	23,000	19,696	(3,304)
Senior van donation box	800	-	800	670	(130)
Tuition - regular education	-	-	-	15,210	15,210
Town Clerk	-	-	-	412	412
Transfer in from other funds	-	-	-	14,622	14,622
Refunds	-	-	-	21,933	21,933
	<u>34,800</u>	<u>-</u>	<u>34,800</u>	<u>83,802</u>	<u>49,002</u>
	<u>1,278,325</u>	<u>-</u>	<u>1,278,325</u>	<u>1,317,898</u>	<u>39,573</u>
<b>TOTAL REVENUES</b>	<u>12,701,451</u>	<u>-</u>	<u>12,701,451</u>	<u>12,720,454</u>	<u>19,003</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	4,757	-
Third selectman's salary	4,757	-	4,757	4,757	-
Bookkeeper's salary	24,570	1,474	26,044	26,043	1
Secretary/clerk's salary	40,888	979	41,867	41,827	40
Selectmens' supplies	3,000	-	3,000	1,680	1,320
Supplies and expense	3,000	-	3,000	2,946	54
	<u>125,163</u>	<u>2,453</u>	<u>127,616</u>	<u>126,201</u>	<u>1,415</u>
<b>Town Clerk's Office</b>					
Town clerk's salary	43,550	-	43,550	43,550	-
Asst. town clerk's salary	15,736	613	16,349	16,380	(31)
Records management service	12,800	-	12,800	10,846	1,954
Supplies and expense	5,500	-	5,500	4,556	944
Vital statistics	450	-	450	385	65
Document preservation grant	5,500	-	5,500	5,312	188
	<u>83,536</u>	<u>613</u>	<u>84,149</u>	<u>81,029</u>	<u>3,120</u>
<b>Tax Collector's Office</b>					
Tax collector's salary	37,009	-	37,009	37,009	-
Tax clerk's wages	6,755	-	6,755	6,737	18
Contracted service	2,697	-	2,697	2,606	91
Computer management/support	5,150	-	5,150	5,050	100
On line bill pay	1,200	-	1,200	1,200	-
Tax refunds	4,000	-	4,000	3,983	17
Supplies and expense	4,000	2,300	6,300	5,556	744
Delinquent motor vehicle tax fee	1,039	-	1,039	1,038	1
	<u>61,850</u>	<u>2,300</u>	<u>64,150</u>	<u>63,179</u>	<u>971</u>
<b>Assessor's Office</b>					
Assessor's salary	34,710	-	34,710	35,109	(399)
Assessor's clerk salary	8,596	233	8,829	8,757	72
Tax mapping	1,500	-	1,500	-	1,500
Computer maintenance/support	12,442	-	12,442	8,842	3,600
Supplies and expense	2,920	-	2,920	2,784	136
	<u>60,168</u>	<u>233</u>	<u>60,401</u>	<u>55,492</u>	<u>4,909</u>

(Continued)

**Town of Lisbon, Connecticut**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
 Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>Treasurer's Office</b>					
Treasurer's salary	\$ 17,843	\$ -	\$ 17,843	\$ 17,843	\$ -
Deputy treasurer's salary	1,000	-	1,000	1,004	(4)
Bank charges	250	-	250	-	250
Supplies and expense	700	-	700	525	175
	<u>19,793</u>	<u>-</u>	<u>19,793</u>	<u>19,372</u>	<u>421</u>
<b>Board of Finance</b>					
Auditor	22,800	-	22,800	16,700	6,100
Supplies and expense	1,250	-	1,250	1,067	183
	<u>24,050</u>	<u>-</u>	<u>24,050</u>	<u>17,767</u>	<u>6,283</u>
<b>Planning and Zoning</b>					
Purchased services	40,000	14,000	54,000	52,549	1,451
Supplies and expense	4,000	-	4,000	1,258	2,742
	<u>44,000</u>	<u>14,000</u>	<u>58,000</u>	<u>53,807</u>	<u>4,193</u>
<b>Zoning Board of Appeals</b>					
Supplies and expense	700	-	700	-	700
<b>Board of Tax Review</b>					
Salaries	808	-	808	808	-
Supplies and expense	300	-	300	-	300
	<u>1,108</u>	<u>-</u>	<u>1,108</u>	<u>808</u>	<u>300</u>
<b>Conservation Commission</b>					
Enforcement officer	8,000	1,600	9,600	9,522	78
Supplies and expense	900	-	900	540	360
	<u>8,900</u>	<u>1,600</u>	<u>10,500</u>	<u>10,062</u>	<u>438</u>
<b>Historic District Study Commission</b>					
Historic district study	1	-	1	-	1
<b>Recycling Committee</b>					
Purchased services	54,106	-	54,106	53,977	129
Supplies	50	-	50	-	50
	<u>54,156</u>	<u>-</u>	<u>54,156</u>	<u>53,977</u>	<u>179</u>
<b>Registrars of Voters</b>					
Democratic registrar's salary	7,585	-	7,585	7,584	1
Republican registrar's salary	7,585	-	7,585	7,584	1
Purchased services	500	-	500	-	500
Supplies and expense	35,000	-	35,000	33,428	1,572
Democratic deputy registrar	300	-	300	300	-
Republican deputy registrar	300	-	300	300	-
	<u>51,270</u>	<u>-</u>	<u>51,270</u>	<u>49,196</u>	<u>2,074</u>
<b>Clerk to the Boards</b>					
Clerk to the boards	10,000	800	10,800	10,431	369
Supplies and expenses	400	-	400	335	65
	<u>10,400</u>	<u>800</u>	<u>11,200</u>	<u>10,766</u>	<u>434</u>
<b>Non-Allocated Expenditures</b>					
Employee insurance	231,710	(50,969)	180,741	176,497	4,244
Social security and medicare	51,500	-	51,500	48,830	2,670
Municipal education	4,000	190	4,190	4,189	1
Unemployment compensation	4,000	(3,000)	1,000	-	1,000
Union related contingency	4,350	-	4,350	4,350	-
Pension	1,250	(500)	750	435	315

(Continued)



**Town of Lisbon, Connecticut**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
 Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
	\$	\$	\$		
Town share retirement compensation	45,000	-	45,000	45,775	(775)
Employee retirement unfunded accrued liability	37,708	-	37,708	37,400	308
Town counsel	45,000	53,377	98,377	99,564	(1,187)
Town engineer	30,000	13,289	43,289	43,289	-
Insurance and bonding	140,000	10,000	150,000	149,153	847
Payroll service	6,428	-	6,428	5,601	827
Consulting fees/contracted services	40,001	32,999	73,000	72,747	253
Town hall utilities	32,000	(500)	31,500	25,614	5,886
Town hall maintenance	10,000	-	10,000	7,783	2,217
Town hall equipment maintenance	1,000	-	1,000	662	338
Town hall computer	5,000	-	5,000	2,396	2,604
Town hall copier maintenance	4,413	(1,600)	2,813	1,596	1,217
Town hall postage	12,000	(4,588)	7,412	8,544	(1,132)
Town hall supplies and expense	3,500	-	3,500	2,130	1,370
Advertising and communications	7,000	(4,979)	2,021	1,852	169
Walking weekend	150	-	150	-	150
Donations	1,650	-	1,650	775	875
	<u>717,660</u>	<u>43,719</u>	<u>761,379</u>	<u>739,182</u>	<u>22,197</u>
<b>Town Memberships</b>					
Town memberships	67,290	-	67,290	66,059	1,231
<b>Fire Protection</b>					
Lisbon volunteer fire dept.	94,800	11,910	106,710	106,710	-
LVFD SCBA's	15,000	-	15,000	14,946	54
Hydrant rental	30,000	-	30,000	28,782	1,218
Recruitment/retention	15,000	-	15,000	15,000	-
	<u>154,800</u>	<u>11,910</u>	<u>166,710</u>	<u>165,438</u>	<u>1,272</u>
<b>Police Protection</b>					
Resident state trooper contract	111,803	8,842	120,645	120,644	1
Trooper's supplies and expenses	3,000	900	3,900	3,674	226
Resident state trooper overtime	35,000	19,423	54,423	57,265	(2,842)
	<u>149,803</u>	<u>29,165</u>	<u>178,968</u>	<u>181,583</u>	<u>(2,615)</u>
<b>Other Protection and Prevention</b>					
Building inspector wages	27,500	-	27,500	27,577	(77)
Fire marshal's salary	7,002	-	7,002	3,920	3,082
D/Em. mgmt. director's stipend	1,750	-	1,750	1,750	-
Animal control officer's salary	16,986	-	16,986	16,986	-
Tree warden stipend	200	-	200	200	-
Burning official	200	-	200	200	-
Zoning enforcement wages	10,000	-	10,000	9,400	600
Building inspector supplies and expense	457	1,972	2,429	2,428	1
Fire marshal supplies and expense	4,000	-	4,000	1,841	2,159
Dept. of emergency management expense	3,250	2	3,252	3,252	-
Dog damages	50	-	50	-	50
ZEO supplies and expense	200	-	200	200	-
	<u>71,595</u>	<u>1,974</u>	<u>73,569</u>	<u>67,754</u>	<u>5,815</u>

(Continued)

**Town of Lisbon, Connecticut**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
 Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>Highways and Streets</b>					
Highway department salaries	\$ 207,503	\$ -	\$ 207,503	\$ 172,617	\$ 34,886
Street lighting	26,300	-	26,300	25,699	601
Contracted services	48,500	-	48,500	36,406	12,094
Town garage utilities	17,500	-	17,500	17,380	120
Town equipment and trucks	76,500	-	76,500	73,513	2,987
Highway dept. supplies	4,500	-	4,500	4,211	289
Road repair and maintenance	65,000	-	65,000	64,999	1
General road repair	25,000	-	25,000	21,442	3,558
Town garage maintenance	7,000	-	7,000	5,521	1,479
Sanitation	27,000	-	27,000	20,163	6,837
	<u>504,803</u>	<u>-</u>	<u>504,803</u>	<u>441,951</u>	<u>62,852</u>
<b>Health and Welfare</b>					
Public health nursing	7,000	-	7,000	4,200	2,800
Health department	28,156	-	28,156	28,058	98
Sewer line fees	7,900	-	7,900	6,222	1,678
	<u>43,056</u>	<u>-</u>	<u>43,056</u>	<u>38,480</u>	<u>4,576</u>
<b>Seniors and Senior Center</b>					
Senior coordinator's salary	37,877	1,308	39,185	39,185	-
Van driver's salary	21,489	960	22,449	22,443	6
Senior meal site wages	10,967	4,500	15,467	15,445	22
Senior center coverage wages	5,088	-	5,088	2,666	2,422
Senior citizen's services	4,000	-	4,000	3,687	313
Senior center utilities	15,266	2,000	17,266	15,565	1,701
Senior center maintenance	10,000	9,000	19,000	18,698	302
Senior van maintenance	1,000	1,097	2,097	2,097	-
Senior coordinator supplies	900	-	900	782	118
Senior center supplies	900	-	900	838	62
Senior center copier expense	500	-	500	-	500
	<u>107,987</u>	<u>18,865</u>	<u>126,852</u>	<u>121,406</u>	<u>5,446</u>
<b>Recreation</b>					
Special events	31,750	128	31,878	32,128	(250)
Recreation purchased services	7,600	-	7,600	7,492	108
Recreation supplies	500	-	500	127	373
Recreation mnt of municipal rec fields	10,000	-	10,000	3,149	6,851
Lisbon meadows park	15,000	-	15,000	5,499	9,501
	<u>64,850</u>	<u>128</u>	<u>64,978</u>	<u>48,395</u>	<u>16,583</u>
<b>TOTAL SELECTMEN'S EXPENDITURES</b>	<u>2,426,939</u>	<u>127,760</u>	<u>2,554,699</u>	<u>2,411,904</u>	<u>142,795</u>
<b>BOARD OF EDUCATION</b>	<u>9,389,636</u>	<u>-</u>	<u>9,389,636</u>	<u>9,382,105</u>	<u>7,531</u>
<b>CAPITAL OUTLAY</b>					
Capital improvements	20,000	-	20,000	16,694	3,306
Equipment, furniture, fixtures	3,000	-	3,000	2,798	202
Newent Road land purchase	-	180,000	180,000	180,000	-
	<u>23,000</u>	<u>180,000</u>	<u>203,000</u>	<u>199,492</u>	<u>3,508</u>
<b>DEBT SERVICE</b>					
Principal, general obligation bond	480,000	-	480,000	480,000	-
Interest, Hoydilla Property	15,963	-	15,963	5,875	10,088
Interest, general obligation bond	88,400	-	88,400	88,400	-
	<u>584,363</u>	<u>-</u>	<u>584,363</u>	<u>574,275</u>	<u>10,088</u>
<b>TOTAL EXPENDITURES</b>	<u>12,423,938</u>	<u>307,760</u>	<u>12,731,698</u>	<u>12,567,776</u>	<u>163,922</u>

(Continued)

**Town of Lisbon, Connecticut**

Required Supplementary Information  
 Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - General Fund  
 Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ 277,513	\$ (307,760)	\$ (30,247)	\$ 152,678	\$ 182,925
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers out	(215,000)	-	(215,000)	(215,000)	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)</b>	<u>\$ 62,513</u>	<u>\$ (307,760)</u>	<u>\$ (245,247)</u>	<u>\$ (62,322)</u>	<u>\$ 182,925</u>
<b>Adjustments to Generally Accepted Accounting Principles (GAAP)</b>					
On behalf revenues from teacher's retirement netted in budget				770,214	
On behalf expenditures from teacher's retirement netted in budget				(770,214)	
Revenue from the excess cost sharing grant - student based				67,395	
Expenditures netted for the excess cost sharing grant				(67,395)	
Change in encumbrances				62,373	
Change in accrued payroll				(975)	
Proceeds from long-term debt netted in budget				900,000	
Debt service expenditures netted with proceeds				(900,000)	
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - GAAP Basis</b>				<u>\$ 2,846</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**

Required Supplementary Information - Schedule of Funding Progress  
Other Post Employment Benefits  
Since Inception

---

Valuation Date	Actuarial		Unfunded AAL	Funded Ratio	Covered Payroll	AAL/UAAL as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability (AAL)				
7/1/2012	\$ -	\$ 1,906,637	\$ 1,906,637	0.00%	\$ 3,405,206	55.99%
7/1/2009	\$ -	\$ 2,407,897	\$ 2,407,897	0.00%	\$ 3,372,618	71.40%

**Town of Lisbon, Connecticut**

Required Supplementary Information - Schedule of Employer Contributions  
Other Post Employment Benefits  
Since Inception

---

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2014	\$ 174,572	\$ 25,767	14.76%
6/30/2013	\$ 233,967	\$ 28,368	12.12%
6/30/2012	\$ 230,121	\$ 27,502	11.95%
6/30/2011	\$ 226,440	\$ 26,407	11.66%
6/30/2010	\$ 222,917	\$ 32,667	14.65%

**Town of Lisbon, Connecticut**

Combining Fund Financial Statements  
June 30, 2014

## Town of Lisbon, Connecticut

Combining Balance Sheet  
 Other Governmental Funds  
 June 30, 2014

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and equivalents	\$ 36,735	\$ 4,771	\$ 41,506
Other receivables			
Accounts	7,833	-	7,833
Intergovernmental	8,249	-	8,249
Inventories	6,385	-	6,385
Total Assets	<u>\$ 59,202</u>	<u>\$ 4,771</u>	<u>\$ 63,973</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 535	\$ -	\$ 535
Accrued payroll and related	276	-	276
Unearned revenues - performance	1,818	-	1,818
Due to other funds	244	-	244
Total Liabilities	<u>2,873</u>	<u>-</u>	<u>2,873</u>
Fund balances			
Nonspendable	5,969	4,413	10,382
Restricted	4,889	358	5,247
Assigned	45,491	-	45,491
Unassigned	(20)	-	(20)
Total Fund Balances	<u>56,329</u>	<u>4,771</u>	<u>61,100</u>
Total Liabilities and Fund Balances	<u>\$ 59,202</u>	<u>\$ 4,771</u>	<u>\$ 63,973</u>

See Independent Auditors' Report

## Town of Lisbon, Connecticut

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

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
<b>REVENUES</b>			
Intergovernmental revenues	\$ 65,990	\$ -	\$ 65,990
Local revenues	<u>234,967</u>	<u>3</u>	<u>234,970</u>
Total Revenues	<u>300,957</u>	<u>3</u>	<u>300,960</u>
<b>EXPENDITURES</b>			
Current expenditures			
General government	2,619	-	2,619
Seniors and senior center	5,157	-	5,157
Education	<u>315,784</u>	<u>-</u>	<u>315,784</u>
Total Expenditures	<u>323,560</u>	<u>-</u>	<u>323,560</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,603)	3	(22,600)
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(15,317)</u>	<u>-</u>	<u>(15,317)</u>
Net Change in Fund Balances	(37,920)	3	(37,917)
Fund Balances - Beginning of Year	<u>94,249</u>	<u>4,768</u>	<u>99,017</u>
Fund Balances - End of Year	<u>\$ 56,329</u>	<u>\$ 4,771</u>	<u>\$ 61,100</u>

See Independent Auditors' Report



## Town of Lisbon, Connecticut

Combining Balance Sheet  
Special Revenue Funds  
June 30, 2014

	Dog Fund	Farmers Market Fund	Senior Program Fund	Cafeteria Fund	After School Child Care Fund	Preschool Fund	Total Special Revenue Funds
<b>ASSETS</b>							
Cash and equivalents	\$ -	\$ 1,834	\$ 2,459	\$ 9,053	\$ 23,324	\$ 65	\$ 36,735
Other receivables							
Accounts	-	-	-	-	6,543	1,290	7,833
Intergovernmental	-	-	-	8,249	-	-	8,249
Inventories	-	-	-	5,969	416	-	6,385
Total Assets	<u>\$ -</u>	<u>\$ 1,834</u>	<u>\$ 2,459</u>	<u>\$ 23,271</u>	<u>\$ 30,283</u>	<u>\$ 1,355</u>	<u>\$ 59,202</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>							
Liabilities							
Accounts payable	\$ 20	\$ 64	\$ 363	\$ -	\$ -	\$ 88	\$ 535
Accrued payroll and related	-	-	-	276	-	-	276
Unearned revenues	-	-	-	1,818	-	-	1,818
Due to other funds	-	-	-	-	-	244	244
Total Liabilities	<u>20</u>	<u>64</u>	<u>363</u>	<u>2,094</u>	<u>-</u>	<u>332</u>	<u>2,873</u>
Fund balances (deficits)							
Nonspendable	-	-	-	5,969	-	-	5,969
Restricted	-	1,770	2,096	-	-	1,023	4,889
Assigned	-	-	-	15,208	30,283	-	45,491
Unassigned	(20)	-	-	-	-	-	(20)
Total Fund Balances (Deficits)	<u>(20)</u>	<u>1,770</u>	<u>2,096</u>	<u>21,177</u>	<u>30,283</u>	<u>1,023</u>	<u>56,329</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ -</u>	<u>\$ 1,834</u>	<u>\$ 2,459</u>	<u>\$ 23,271</u>	<u>\$ 30,283</u>	<u>\$ 1,355</u>	<u>\$ 59,202</u>

See Independent Auditors' Report

## Town of Lisbon, Connecticut

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

	Dog Fund	Farmers Market Fund	Senior Program Fund	Cafeteria Fund	After School Child Care Fund	Preschool Fund	Fundraising Fund	Total Special Revenue Funds
<b>REVENUES</b>								
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 65,990	\$ -	\$ -	\$ -	\$ 65,990
Local revenues	-	1,211	6,027	119,949	77,964	29,816	-	234,967
Total Revenues	-	1,211	6,027	185,939	77,964	29,816	-	300,957
<b>EXPENDITURES</b>								
Current								
General government	2,064	555	-	-	-	-	-	2,619
Seniors and senior center	-	-	5,157	-	-	-	-	5,157
Education	-	-	-	194,199	91,501	29,816	268	315,784
Total Expenditures	2,064	555	5,157	194,199	91,501	29,816	268	323,560
Excess (Deficiency) of Revenues Over Expenditures	(2,064)	656	870	(8,260)	(13,537)	-	(268)	(22,603)
<b>OTHER FINANCING USES</b>								
Transfers out	(14,622)	-	-	-	-	-	(695)	(15,317)
Net Change in Fund Balances	(16,686)	656	870	(8,260)	(13,537)	-	(963)	(37,920)
Fund Balances - Beginning of Year	16,666	1,114	1,226	29,437	43,820	1,023	963	94,249
Fund Balances (Deficit) - End of Year	\$ (20)	\$ 1,770	\$ 2,096	\$ 21,177	\$ 30,283	\$ 1,023	\$ -	\$ 56,329

See Independent Auditors' Report

**Town of Lisbon, Connecticut**

Combining Balance Sheet  
 Permanent Funds  
 June 30, 2014

---

	<u>Palmer Fund</u>	<u>Preston Learned Fund</u>	<u>Total Permanent Funds</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 692	\$ 4,079	\$ 4,771
<b>FUND BALANCES</b>			
Nonspendable	\$ 640	\$ 3,773	\$ 4,413
Restricted	52	306	358
Total Fund Balances	<u>\$ 692</u>	<u>\$ 4,079</u>	<u>\$ 4,771</u>

See Independent Auditors' Report

**Town of Lisbon, Connecticut**

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

---

	Palmer Fund	Preston Learned Fund	Total Permanent Funds
<b>REVENUES</b>			
Local revenues	\$ 1	\$ 2	\$ 3
Fund Balances - Beginning of Year	<u>691</u>	<u>4,077</u>	<u>4,768</u>
Fund Balances - End of Year	<u>\$ 692</u>	<u>\$ 4,079</u>	<u>\$ 4,771</u>

See Independent Auditors' Report

## Town of Lisbon, Connecticut

Combining Statement of Net Position  
 Agency Funds  
 Year Ended June 30, 2014

	Balance Beginning	Additions	Deductions	Balance Ending
<b>Student Activity Fund</b>				
<b>Assets</b>				
Cash	\$ 20,361	\$ 50,518	\$ (40,268)	\$ 30,611
<b>Liabilities</b>				
Due to others	\$ 20,361	\$ 50,518	\$ (40,268)	\$ 30,611
<b>Surety Bonds</b>				
<b>Assets</b>				
Cash	\$ 156,722	\$ 1,500	\$ (64,700)	\$ 93,522
<b>Liabilities</b>				
Due to others	\$ 156,722	\$ 1,500	\$ (64,700)	\$ 93,522
<b>Shooting Stars</b>				
<b>Assets</b>				
Cash	\$ 8,175	\$ 6,704	\$ (5,897)	\$ 8,982
<b>Liabilities</b>				
Due to others	\$ 8,175	\$ 6,704	\$ (5,897)	\$ 8,982
<b>Combined Total</b>				
<b>Assets</b>				
Cash	\$ 185,258	\$ 58,722	\$ (110,865)	\$ 133,115
<b>Liabilities</b>				
Due to others	\$ 185,258	\$ 58,722	\$ (110,865)	\$ 133,115

See Independent Auditors' Report

**Town of Lisbon, Connecticut**

Supplementary Schedules  
June 30, 2014

## Town of Lisbon, Connecticut

Report of the Property Tax Collector  
Year Ended June 30, 2014

---

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		
2012	\$ -	\$ 7,166,945	\$ 7,393	\$ (19,645)	\$ 7,154,693	\$ 7,044,040	\$ 21,380	\$ 159	\$ 7,065,579	\$ -	\$ 110,653
2011	122,220	-	545	(583)	122,182	75,959	15,799	660	92,418	-	46,223
2010	47,670	-	-	-	47,670	18,228	8,237	201	26,666	9,356	20,086
2009	13,632	-	-	-	13,632	8,093	3,402	144	11,639	-	5,539
2008	5,857	-	-	-	5,857	4,553	1,509	48	6,110	-	1,304
	<u>\$ 189,379</u>	<u>\$ 7,166,945</u>	<u>\$ 7,938</u>	<u>(\$ 20,228)</u>	<u>\$ 7,344,034</u>	<u>\$ 7,150,873</u>	<u>\$ 50,327</u>	<u>\$ 1,212</u>	<u>\$ 7,202,412</u>	<u>\$ 9,356</u>	<u>\$ 183,805</u>

See Independent Auditors' Report

## Town of Lisbon, Connecticut

Activity in the Capital Nonrecurring Fund  
Year Ended June 30, 2014

	Fund Balance Beginning	Appropriations	Revenue	Current Year Expenditures	Fund Balance Ending
Committed Fund Balance:					
Expenditures Approved					
Open space fees	\$ 21,400	\$ -	\$ 6,500	\$ -	\$ 27,900
Salt shed construction	80,000	-	-	-	80,000
Lisbon meadow park improvements	15,498	-	-	-	15,498
Plan of conservation and development	29,213	-	-	-	29,213
Public and safety vehicles	55,750	55,000	-	-	110,750
Town hall access improvements	834	-	-	-	834
Senior center boiler	11,684	-	-	-	11,684
School Water Tank	-	10,000	-	(8,900)	1,100
School Security System	-	25,000	-	(3,720)	21,280
	<u>214,379</u>	<u>90,000</u>	<u>6,500</u>	<u>(12,620)</u>	<u>298,259</u>
Assigned Fund Balance:					
Assigned for unspecified projects	74,880	-	1,805	-	76,685
Capital projects	182,659	65,000	-	-	247,659
Revaluation	115,100	10,000	-	-	125,100
Voting machine replacement	10,000	-	-	-	10,000
GIS assessor mapping	60,000	-	-	-	60,000
Public and safety vehicles	59,859	-	-	-	59,859
Land purchases	237,120	10,000	-	-	247,120
Salt shed construction	165,000	15,000	-	-	180,000
Plan of conservation and development	60,000	25,000	-	-	85,000
	<u>964,618</u>	<u>125,000</u>	<u>1,805</u>	<u>-</u>	<u>1,091,423</u>
Total of All Projects	<u>\$ 1,178,997</u>	<u>\$ 215,000</u>	<u>\$ 8,305</u>	<u>\$ (12,620)</u>	<u>\$ 1,389,682</u>

See Independent Auditors' Report



**Town of Lisbon, Connecticut**

Internal Control and Compliance Reports  
June 30, 2014

**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, 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 11, 2014.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*O'Connor Davies, LLP*

December 11, 2014

**Town of Lisbon, Connecticut**

State Single Audit  
June 30, 2014

**Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major State Program**

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's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2014. The Town's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

### ***Opinion on Each Major State Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

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

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

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

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

## **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 11, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming 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 basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

*O'Connor Davies, LLP*

December 11, 2014

**Town of Lisbon, Connecticut**

Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b>Connecticut State Library</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	\$ 4,000
<b>Department of Transportation</b>		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	86,457
<b>Department of Justice</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	3,860
<b>Office of Policy and Management</b>		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	7,118
Reimburse Property Tax - Disability Exemption	11000-OPM20600-17011	547
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	22,032
Property Tax Relief for Veterans	11000-OPM20600-17024	2,805
Municipal Purposes & Projects	12052-OPM20600-43587	3,464
<b>Office of Early Childhood</b>		
School Readiness and Child Care	11000-OEC64840-12113	106,774
School Readiness Quality Enhancement	11000-OEC64840-17097	4,331
<b>Department of Education</b>		
High Quality Schools Start Up	12052-SDE64370-43538	98,553
Child Nutrition State Match	11000-SDE64370-16211	2,074
Health Foods Initiative	11000-SDE64370-16212	4,246
Adult Education	11000-SDE64370-17030	11,178
School Breakfast Program	11000-SDE64370-17046	3,101
Magnet Schools	11000-SDE64370-17057	16,900
Total State Financial Assistance before Exempt Programs		<u>377,440</u>

**EXEMPT PROGRAMS**

<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64000-17041	3,934,014
Public School Transportation	11000-SDE64000-17027	54,390
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	67,395
<b>Office of Policy and Management</b>		
Municipal Revenue Sharing	12060-OPM20600-35458	33,363
Municipal Video Competition	12060-OPM20600-35362	110
<b>Office of State Comptroller</b>		
Mashantucket Pequot and Mohegan Fund Grant	12009-OSC15910-17005	<u>28,967</u>
Total exempt programs		<u>4,118,239</u>
Total State Financial Assistance		<u>\$ 4,495,679</u>

The accompanying notes are an integral part of this schedule



## 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, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

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 Expenditures 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.

\*\*\*\*\*

**Town of Lisbon, Connecticut**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

---

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

**Financial Statements**

Type of auditors' report issued unmodified

Internal control over financial reporting

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

**State Financial Assistance**

Internal control over major programs

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

Type of report issued on compliance for major programs: unmodified

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

\_\_\_ yes      X no

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

State Grantor and Program	State Core-CT Number	Expenditures
Office of Early Childhood School Readiness and Child Care	11000-OEC64840-12113	\$106,774
Department of Education High Quality School Start Up	12052-SDE64370-43538	\$98,553

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

\$100,000

**Section II - Financial Statement Findings**

No matters were reported.

**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, 2014

---

### 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 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:** The finding has been corrected.